The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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★ CANDIDATES FOR YEAR-END DIVIDEND INCREASES
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★ CANADA ADJUSTS TO NEW BASE FOR EXPANSION

★ MARKET SPURTS OF STRENGTH — WEAKNESS SHOWS UNCERTAINTY ★

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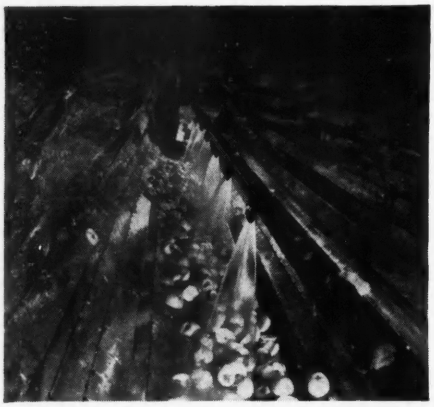

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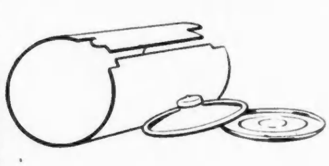

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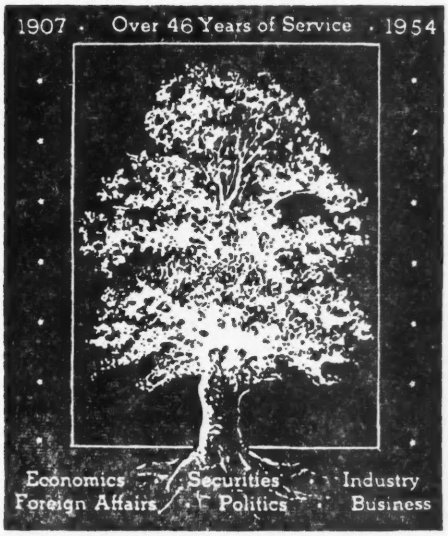
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

A PORTENTOUS MOVE AMONG LABOR UNIONS . . . Events of great potential importance to labor are in the making. That they may profoundly affect relations not only between labor and management, but future political patterns in this country, is strongly implied in recent moves by the major unions. Particularly significant is the growing strength in the movement for the unification between the A. F. of L. and the C. I. O. Preparation for unification has already been advanced by two major steps: first agreement between the two organizations to end "raiding" of their member unions; and, second, through streamlining the internal organization of each federation by mergers and inter-union agreements.

The welding together of the two giant labor organizations would bring under one roof nearly 14 million workers, out of a total force of over 17 million organized union members. The power vested in a single union of such dimensions is very great and its potential may create a new element in American politics. Perhaps foreshadowing this ominous development is the new highly partisan approach in the present election campaign of George Meany, the A. F. of L. president. This marks a serious break between the philosophy of the founder, Samuel Gompers, who warned his union that it would be a fatal mistake to enter the political arena, a stand which the A. F. of L. has maintained ever since, until the recent disaffection of its present president.

It would be unfortunate for American labor unions to imitate their European contemporaries who, through their inordinate political maneuvering, have been an important element in the weakness of their governments and national economies. In this country, we have no need for "political" unions. A merger of the two labor federations for the purpose of advancing labor's legitimate interests would be one thing, but if it means the establishment of a new political force for purely class aims, then the risk to the American system is not to be ignored.

RUSSIAN GOLD AND BRITISH POLICY . . . To the dismay of the British, the Soviet government has stopped selling them gold in exchange for goods. During the period when Russion gold flowed towards London, hard money in the Treasury—dollars and gold—rose above the $3 billion mark. This has been a not inconsiderable factor in the more friendly relations established between London and Moscow during the past year. Now, as a reminder to the British that Moscow expects political favors in return for gold, the Soviets have suddenly shut off shipments. The Soviets do nothing without a purpose. The purpose in this case is to hold London in line for a Four-Power Conference which Moscow wants badly. Gold, with the Russians, is merely another means of extracting political blackmail.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

THE BUDGET DEFICIT . . . The Administration's first interim

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

revision of its Budget indicates the probability of a deficit of $4.7 billion for the fiscal 1955. Since this is an increase in the prospective deficit of approximately $1.7 billion over the $2.9 billion envisaged when the President tendered his first estimate to Congress at the beginning of the year, it can be stated unequivocally that the new Administration has failed in one of its primary objectives, which was to bring the budget into a state of balance within a reasonable period. This is a most disappointing development.

Under the circumstances, it is not difficult to perceive why the administration, anticipating a greater deficit, was forced to ask for a higher debt calling than the previous statutory allowance. It has now been raised to $281 billion from $275 billion with the increase to expire in one year. It would not be surprising, however, if the Administration, in the next session of Congress, asked for an extension so that the debt ceiling is more likely than not to remain at $281 billion indefinitely.

The subject has more than academic interest to those who watch corporation affairs inasmuch as it is now quite likely that any move to lower the corporation tax rate from 52%, the present level, to 47%, the previous level, will be doomed to failure in the next Congressional session. As a matter of fact, efforts to reduce personal taxes are likely to fail as well, regardless of the composition of the new Congress.

It was obvious that continued large Federal deficits will remain a stumbling block to any further reduction in taxes below those initiated several months ago, for a considerable period to come.

INTERNATIONAL TRADE PROBLEMS . . . The United States delegation to the Geneva conference on the General Agreement on Tariffs and Trades (GATT) which convenes early in November will set about its task in a framework of mounting hostility from foreign nations against newly developing American trade policies. The feeling among these nations has been exacerbated because of what they deem evidence that proponents of high tariffs in this country have lately been taking on a new lease of life. The quite understandable bitterness of Switzerland in the Swiss watch tariff affair is a case in point. That the President himself has been favorable to freer trade policies is now discounted abroad in view of the growing strength of high tariff advocates in Congress.

The Administration faces a sharp dilemma on this all-important matter. On the one hand, it is being beseeched by American interests to protect domestic industries that are already, or will soon become, susceptible to foreign competition. On the other hand, it must do all in its power to assist nations with failing dollar deficits to attain a stronger trade position, lest they succumb to communist blandishments. Japan is a good example of a nation that economically is at the cross-roads between the free and slave worlds. To live, Japan must export a minimum of $600 million of goods a year to the free world, or trade with the communists. Yet, if trade barriers are lowered to satisfy her commercial interests, she is likely to compete directly on terms disadvantageous to the industries of nations in the free world.

This is the type of problem that confronts GATT. Since the United States holds the key to a large extent, it is to the U. S. delegation that the conferees will look for a solution. Yet, political conditions being what they are in this country, it is difficult to see how much progress can be made in the near future on this vital question. In the meantime, it is likely that the resentment of foreign nations will continue to grow. Early next year, however, the President will again put before Congress his proposal for a three-year extension of the Reciprocal Trade Act. In the last session, he was compelled to compromise and accept only a one-year extension. Should he be more fortunate in his next attempt, an important step forward would have been taken in unblocking trade barriers which, in many areas, have proved restrictive to many national economies. To a large extent, his success will be dependent on the state of our own economy at the time he puts forth a new proposal to Congress, as a return to full prosperity would weaken the argument of high tariff advocates. It will also be affected by the political complexion of the new Congress. Thus, our elections will also play a great part in our future foreign trade policies.

PORTFOLIO MANAGEMENT . . . No formula has ever been devised or can be devised that can wholly protect security portfolios under any and all conditions that may prevail in the future. The investor might do well, therefore, by starting with the assumption that mistakes are inevitable. He may not be able to avoid these errors, since human judgement is fallible. He can, however, so conduct his affairs as to reduce the effect of harmful results when the mistakes are made. This he can do by making out insurance in the form of distributing the risk in a balanced portfolio.

During the couurse of a year, we receive a large volume of letters from subscribers requesting advice on their holdings. It is always surprising to note that only a relatively small proportion of these investors take the pains to ensure a sound distribution of securities in their portfolios. This is a fundamental error.

Lack of balance in a portfolio generally takes two forms. The investment may be concentrated in too few issues, increasing the vulnerability of the holder to unfavorable developments in one or more of this limited group, thereby, unnecessarily imperiling possibly a large part of his capital. Or, he may have a much wider distribution of securities in his portfolio but without sufficient consideration to their individual soundness. In this case, he has merely reduced the risk in each single commitment without reducing the risk to his capital as a whole.

The best constructed portfolios place emphasis on the soundness of selection from the standpoint of fundamental investment merit. If there are enough of these issues in the portfolio, it is not likely that the margin of error will be great. Even if one or two issues should prove disappointing against expectation, the error is not likely to be costly insofar as the total capital is concerned, since, it may be presumed, the other sound issues will make up the deficiency.

As I See It!

By JOHN CORDELLI

OUTWORN CONCEPTS vs. A DYNAMIC PHILOSOPHY

Now that the French have callously scuttled EDC, it is clearer than ever that there is a wide gap between the basic attitudes of Europeans and Americans on vital issues. When this attitude represents itself in unjustifiable hostility to American views on world problems and in unconcealed envy of our economic progress, we are puzzled and disappointed. We see that Europe, lately become arrogant, nevertheless has herself been the chief culprit in fomenting war, thereby shattering the structure which held the world together for centuries. We know that the historic incapacity of European nations to live amicably among themselves has not only brought us directly into the orbit of their misfortunes but that their failure has been responsible for the growth of communism throughout the world.

All this has origins in ancient historic roots and accounts for the basic difference in the philosophy of the two continents. The differences are important. Let us examine some of them.

Europe, living under a facade of political democracy, has failed to put its economic house in order. To a surprising extent, it has clung to virtual feudal concepts. It has built up for centuries a class philosophy which simply will not down. It has persisted in cartelization and has divided and subdivided itself in such a manner as to prevent the fruits of labor from percolating through all sections of the population on an equitable basis. In too many countries in Europe, the privileged groups have evaded their tax responsibilities and have, in many ways, shown that they are unresponsive to the needs of the people. Under these conditions, it has been inevitable that nations would war upon each other and that is why we have been called on to rescue them from their own folly, at bitter and thankless cost to us.

THE MAN WITH THE KNOW-HOW

Smith, NEA Service

What is it that America really wants from Europe? It would like to see it cast aside the traditional shackles which have bound it for so many centuries, and bend its best efforts toward rescuing millions upon millions from the misery of poverty and poor living conditions. It would like to see Europe throw off its rigid monopolistic concepts and adopt the American system of free, competitive enterprise. It would like Europe to permit the undoubted ingenuity of its scientists and inventors to be unleashed so as to create ever broader markets for its people, and not to save the benefits of science for the relatively few as it has been doing.

Let Europeans look upon America without prejudice. What will they see? They will see tens of millions working at plants and shops and stores at decent wages. They will find businessmen eager to produce new products at reasonable prices so that the public may enjoy them. They will see a competitive system so highly advanced that not the few, but the many benefit. They will see an America unafraid to venture into new fields and unafraid to accept the risk of loss. They will see an America uninhibited by the dead hand of tradition. They will see, not, as they say, a nation of millionaires, but a hard-working, generous people who are intent on making a better life for themselves and who want nothing better than for others to do it, too. There is no one in America to cry halt to this national goal. Each citizen, in his own way, contributes to the effort-worker, farmer, businessman, student and professional man. It is indeed time that Europe learned the lesson for its own sake.

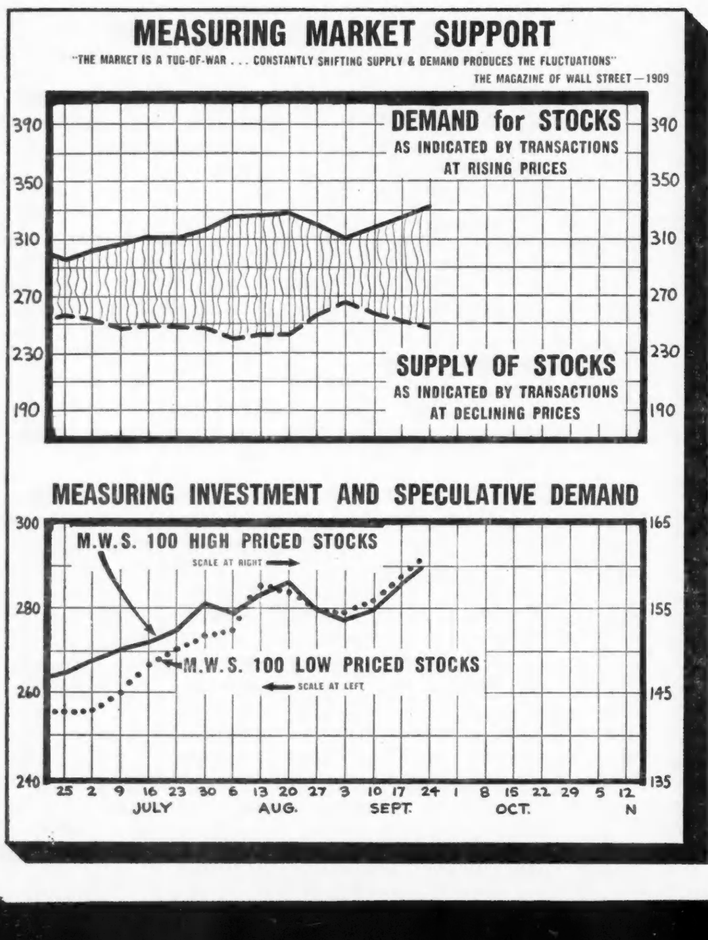
Special Areas of Market Strength

At least for industrials, the main trend of stock prices has continued upward, with a strong further rise over the last two weeks. Rails and utilities remain relatively sluggish, With higher and higher valuations now being put on earnings and dividends, increasingly careful selectivity in portfolio management, especially in new buying, is essential.

By A. T. MILLER

Over the last fortnight the industrial section of the stock market extended its advance from the August 31 reaction low, with no significant slackening of pace. The Dow industrial average has now had some gain in 15 out of 17 trading sessions in September through last week's close, making a net gain af about 26 points in this time; and bettering the August high by over 11 points. Developing so quickly after the 15-point fall in the latter part of August, the September performance of industrials to date approaches the spectacular in terms of speed and scope of movement.

It is contrary to the downward seasonal tendencies often seen in September, following substantial gains within the July-August period; and it is not founded on any fresh stimulating factors in the news, in the business picture, in money-rate tendencies or in the trend of earnings and dividends. Contrasting with the spirited, although still selective, renewed rise in industrials, the rail and utility averages have moderately extended their recoveries from the August sell-off and remain under the highs recorded August 8 and August 20, respectively, even though the remaining gap for utilities to fill is fractional.



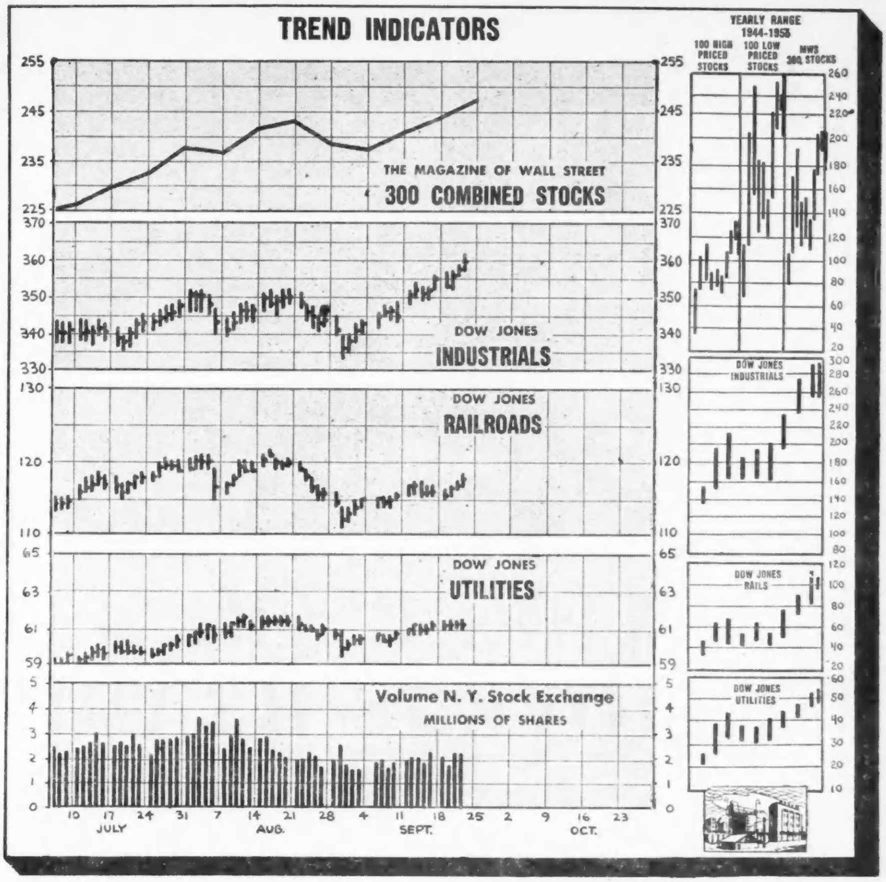
Basis Of Recent Rise

The late-August sell-off was the fourth downside test of the market in recent months. None amounted to much in percentage decline, but, starting after long and large prior rise, each was sufficient to raise questions about the possible technical vulnerability of the market. However, when each petered out quickly and stock prices headed up again, that was taken by investors and traders as another "vote of confidence", favorably impressing those who had been debating whether to sit tight, buy or sell; and the fence-sitters were impressed even more when the industrial average readily went through its August high.

In short, "nothing succeeds like success"; and the story of the market remains pretty much what it had been for some time. The tangible bullish factors effective earlier – including lapse of EPT, tax credits for dividend income, downtrend in money rates, the levelling out of business recession, generally better earnings than many had previously expected, and the moderate upward trend of aggregate dividends—have long since been largely discounted. That leaves the following principle reasons to explain why, up to this writing, the path of lesser resistance in the market is still on the upward side:

(1) The normally greater willingness of investors to hold or buy stocks than to sell; (2) the further strengthening of that inclination as a result of impressive market performance on all downside and upside tests to date, resulting in confidence feeding on confidence; and

(3) the reduction in floating supply of good-grade stocks resulting from persistent long-term accumulation by institutional funds and to some extent also by individual investors, making the market for such stocks basically thin. All of this foots up to a market supply-demand equation tending to make for more selective strength than weakness in stock prices. It also foots up to something, familiar as bull markets move from moderation toward ultimate extreme, which obviously cannot continue indefinitely: the willingness of investors and speculators to put higher and higher valuations on existing earnings and dividends.



The latter has already gone a goodly distance, making representative stocks dearer, in terms of average yield and in the excess of dividend yield over bond yields, than at any previous time since the 1946 bull-market high, and only slightly less advanced, by these criteria, than they were at that high. On the other hand, if yield factors are measused against those at the 1937 and 1929 bull-market highs, especially the latter, there is "statistical leeway" for more advance, possibly considerable, before a final top is reached. Given some bad news—for instance in foreign developments or a decisive Republican defeat in the November elections—confidence might be shaken enough to alter the market potential. Whether it will be is, of course, conjectural. Unforeseeable developments are always a contingent liability in the stock market.

Institutional Buyers More Cautious

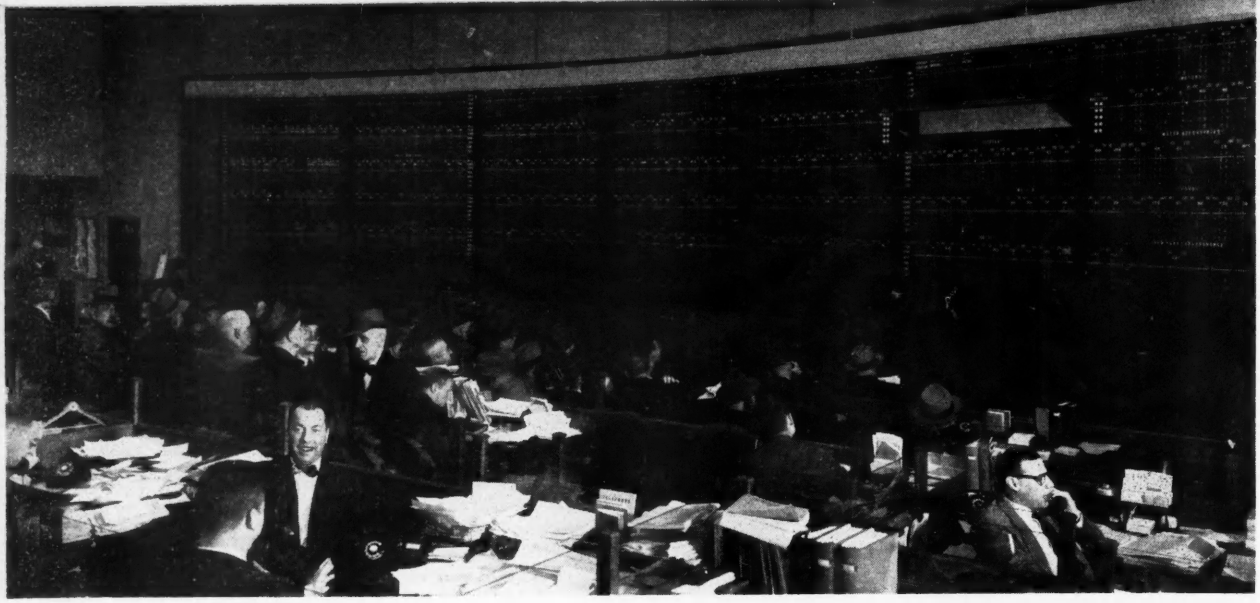
One needs no crystal ball to know that advance is most unlikely to continue at the recent fast pace without interruptions, whether pauses for consolidation, minor dips or sizable reactions, as in August. At some point, which could be near, fast rise will (1) normally invite some profit taking; and (2) suggest to investors, institutional and otherwise, the logic of halting buying and awaiting at least a dip. Bearing on this, it may be interesting to note that purchases of stocks by life insurance companies in August averaged materially lower than in July; and that they were sharply lower, on rising prices, in the first week of September than they had been on falling prices in the last week of August. It stands to reason that trustee-managed funds interested in income and safety of capital will be less inclined to reach for stocks as the yield advantage over bonds progressively narrows. If that is correct, the bull market may at no distant time have to depend more on speculative buying by individuals than heretofore, resulting in increasing vulnerabitity.

Cross Currents And Angles

Over seven-eighths of the stocks in the Dow industrial average, an uncommonly high proportion, have participated at least to some degree in the rise so far since August 31; but comparatively large gains have been confined to Allied Chemical, Corn Products, Goodyear, General Motors, Standard Oil of California. SO (Ind.), Standard Oil (New Jersey), Texas Company, and Westinghouse Electric. In stock-group strength over the last fortnight, the oil group has been the standout, others including amusements, air lines, business machines, copper, proprietary drugs, meat packers, paper and tires.

Wrong at least to date, there are plenty of bears, as indicated by the largest total short interest in many years. But the implications are guesswork. Although short-sellers are mostly professional traders, they are human and, therefore, fallible. There has been no past correlation between market trend and variations in the short position.

Our policy remains selective. We would not disturb genuine long-pull positions in good-quality stocks. We would not "go out on a limb" in speculation. Where good profits are available on stocks bought for cyclical gain, especially medium-grade or speculative issues, we might consider some cashing in. And we continue to suggest maintenance of reasonable reserves against contingencies and for later buying opportunities.—Monday, September 27.



WHERE ARE 1954's BIG MOVERS HEADED NOW?

By WARD GATES

After an almost uninterrupted advance during the past 12 months, during which the industrial averages almost penetrated a 25-year high, numerouus issues now stand at a peak never before reached in their history, not even at the heights of the 1929 market. The largest portion of these advances came in the past year and, for speed and scope, they exceeded those of the entire previous post-war period.

During the upward march between September 1953 and September, 1954, it was not unusual for individual stocks to score gains up to 200% and more. This is a truly astonishing record for such a comparatively brief interval. Yet the very dimensions of the advance naturally call for caution and, at least, require a reappraisal of the present market position of many issues in relation to the great fundamentals of earnings and dividend prospects.

The question in the minds of many experienced investors is whether or not the impressive gains in many stocks have not by this time outrun earnings and dividend potentials, and whether these issues have not more or less discounted perceivable long-term, let alone, short or intermediate-term prospects.

In determining the position of individual stocks, it would be best to leave general market considerations aside as undue weight given to such factors is as likely as not to render a sound appraisal of individual stock values unnecessarily difficult. For this reason, in our analysis of the position of 40 leading stocks which is herewith presented, we have subordinated general market considerations to technical and fundamental factors affecting each individual issue, although to be sure, the general market undoubtedly has an effect temporarily on the price level of these stocks.

The survey is limited to issues which scored the most spectacular gains since the recovery of last autumn and during the bull market resumption since that time. As will be seen from the accompanying table, the issues under consideration advanced from about 40% to as high as 279%. These are the extremes but, in between, will be found a larger number which advanced, on the average, about 75-100%.

In appraising the market position of each of the 40 stocks, we have been guided by (a) its technical position, related to short-term and intermediate market possibilities, and (b) long-range prospects, based exclusively on underlying earnings potentials.

Near-term market factors are of interest mainly to investors whose objective is to secure intermediate, or, short-term profits, depending on whether capital gain is an important consideration. This depends, of course, on the financial position and aims of the individual investor so that he will have to judge for himself how to apply our estimate of the market outlook for each stock.

The long-term outlook is indicated from the viewpoint of investors who are not primarily interested in current dividend or speculative profits, but rather in maintaining a semi-permanent position without especial regard to temporary market fluctuations. In instances where recommendations have been made to "hold", it should be understood that we have indicated our estimates chiefly on the basis of long-range probabilities. In other words, the investor who decides to hold must do so on the understanding that he is willing to maintain his

position despite the probability of technical reactions. We have also indicated, in some instances, where "dollar-averaging" might be considered as part of a long-range investment program. As our readers know, "dollar-averaging" offers a sound and systematic method, where employed with discrimination, of taking advantage of substantial market reactions in desired issues.

We have tried to make our analysis as practical as possible so as to assist investors who may be troubled with the problem of how best to protect current profits. It should also be of service to investors who may be planning to purchase any of the issues listed. We have suitably indicated our preferences.

Herewith is the analysis, necessarily brief owing to the considerable number of issues covered, of each of the 40 stocks. The accompanying table should be consulted for reference to the range of each stock.

Allied Chemical & Dye. Selling at 20 times indicated earnings for 1954, this growth stock is valued marketwise about on par with other high-grade chemical issues. Near-term prospects appear to be largely discounted but long-term holdings need not be disturbed. New purchases should be on a "dollar-averaging" basis, starting at a moderately lower market level whenever this materializes.

Aluminium Company of America. Under heavy amortization charges, earnings, despite capacity operations, will be somewhat lower this year. This growth stock is now selling at about 25 times indicated 1954 earnings, and seems to be fully priced for the time being. Long-term investment holdings should be retained, where the size of current dividend income is not an important consideration. "Dollar-averaging" might be undertaken but only after substantial reaction.

Atlantic Coast Line. Net income should hold up relatively well this year owing to road's favorable territory. Near-term prospects, however, fairly well reflected in 40-point advance this year. For investors interested in short-term considerations, partial acceptance of profits might be advisable. Long-term holdings need not be disturbed, but new purchases might be deferred until more advantageous opportunity is created through any sizeable reaction.

Bendix Aviation. Exceptional rise in the stock this year has rather fully reflected strong position of the company for the time being. Partial profits on speculative accounts, accordingly, might be considered. New purchases should be deferred until more advantageous market opportunity. Long-term holdings need not be disturbed by investors aiming for possible stock split. The inherently cyclical nature of industry does not warrant "dollar-averaging."

Bethlehem Steel. Short-term prospects rather fully discounted after substantial advance. However, stock benefits from much stronger position of company with considerable long-term merit. Unless acceptance of speculative profits is particularly desired because of individual requirements, retention is advised on long-term basis. New purchases might be undertaken on a sliding scale at lower levels.

Big Market Gainers in 1954

	Low Price 1953*	High Price 1954†	Points Advance From Low	Percentage Advance From Low	Recent Price
Allied Chemical & Dye	62*	101	39	62%	97
Aluminum Co. of Amer.	42½	90½	48	112	80
Atlantic Coast Line	83⅞	126½	42	50	116
Bendix Aviation	50	90½	40	80	88
Bethlehem Steel	44⅜	82½	38	85	79
Boeing Airplane[1]	18¼	69¼	51	279	61
Container Corp.	28¾	64½	35	119	60
Corning Glass	70	125	55	78	116
Douglas Aircraft[1]	30	92½	62	208	84
Du Pont	91	144½	53	58	138
Ex-Cell-O Corp.	35⅞	77½	41	116	72
Food Fair Stores	22½	47⅛	24	109	45
General Dynamics	31	75⅝	44	143	70
General Electric[1]	22⅛	48½	26	119	43
General Motors	53⅝	82¾	29	54	85
Gillette Co.	32¼	68½	36	112	68
Goodrich (B. F.)	60¼	103⅞	43	72	104
Goodyear Tire & Rub.	43¾	78¾	35	80	82
Hooker Electrochem.[2]	55	84	29	52	84
Inland Steel	35⅞	67½	31	88	63
Internat. Bus. Machines	179¼	306	126	70	292
International Paper	43⅝	80⅜	36	83	76
Lily-Tulip Cup	39	94½	55	142	91
Lockheed Aircraft	20¼	44¼	24	118	41
McGraw Electric	57¼	101½	44	78	96
Minn.-Honeywell Reg.	53½	99½	46	86	93
National Cash Register	46¾	92	45	97	86
National Dairy Prods.[1]	28¼	44¾	16	57	38
Owens-Corn. Fiberglas	38	74½	36	96	65
Procter & Gamble	59⅜	96½	37	62	90
Reynolds Metals	42¾	82	39	92	77
Rohm & Haas	115	261¼	146	127	249
Scott Paper[2]	54	100¾	46	86	96
Sperry Corp.[2]	35¾	81⅜	45	128	76
Standard Oil of N. J.	67	98	31	46	95
Thompson Products[2]	41¼	88	46	113	87
U. S. Gypsum	103¾	184	80	77	177
U. S. Steel	33½	56	22	67	55
Vanadium Cp. of Am.[2]	30¼	74⅛	43	145	72
Westinghouse Electric	39½	75¼	35	90	69

*—Lowest price recorded during the year.
[1]—Adjusted for stock split. [2]—Proposed stock-split.
†—Highest price recorded during the year.

Boeing Airplane. One of the two strongest aircraft stocks, together with Douglas. Major market advance this year in line with pronounced growth of earnings. Long-term holdings need not be disturbed but new purchases should be deferred. Investors desiring to mark down costs might consider partial acceptance of profits, if in line with individual needs. Those not so concerned may rely on continued growth potentials to eventually produce commensurate long-term investment values.

Container Corp. Base of the company's operations has been steadily enlarged and long-term growth potentials indicated. However, stock has rather fully reflected these prospects for time being in view of the very sharp advance in the price of the shares this year. Partial acceptance of profits would seem justified but long-term holdings need not be disturbed.

Corning Glass. The stock's important move this year, based on its long-term growth prospects, has been fully justified. A resting point, however, is indicated and new purchases should be deferred. "Dollar-averaging" would be suitable. Long-term holdings should be maintained by investors to whom the current low yield is not a deterrent.

Douglas Aircraft. Stock seems to have temporarily outrun huge gain in earnings and partial acceptance of profits seems in order for individuals who have taken a speculative position. Long-term holdings need not be disturbed, if part of well constructed portfolio. New purchases should be deferred pending more favorable market opportunity.

Du Pont (E.I.) de Nemours. The exceedingly rapid advance in this stock places a high valuation on earnings, about 22 times. New purchases should be deferred at this time and, even, partial profits accepted on speculative accounts. Long-term holdings, however, need not be disturbed where comparatively small current dividend income is no obstacle. The stock is suitable for "dollar-averaging" operations but this should be started on a lower market level.

Ex-Cell-O-Corp. Strong upsurge in stock this year based on continued good earnings after EPT lapse. While attractive long-term prospects seem inherent in the situation, stock seems to have temporarily outpaced favorable underlying developments. Profits can reasonably be accepted and new purchases should be deferred until a better market opportunity in stock presents itself.

Food Fair Stores. Although earnings have increased, the increase does not appear large enough to have justified the extraordinary rise in the shares this year, which has seen them more than double from the low of the past 12 months. Acceptance of profits on this rather speculative issue is recommended.

General Dynamics. The stock has had a spectacular rise this year, based on atomic developments and merger with Consolidated Vultee, together with remarkable rise in earnings. Despite large rise, retention of the stock would seem warranted in view of unusuual long-term prospects. New purchases should be deferred, however, in view of already large rise in stock. For those interested primarily in immediate speculative profits rather than long-term positions, partial acceptance of profits might be in order. This would depend on the preference of the individual investor.

General Electric. The persistent strength of this issue reflects superior position of company and continued gains in earnings. While large market profits have accumulated on purchases made at lower levels, it is likely to be more profitable in the long run to maintain a long-term position in the issue than to accept speculative profits at this time. This is an excellent type of stock for "dollar-averaging" purposes.

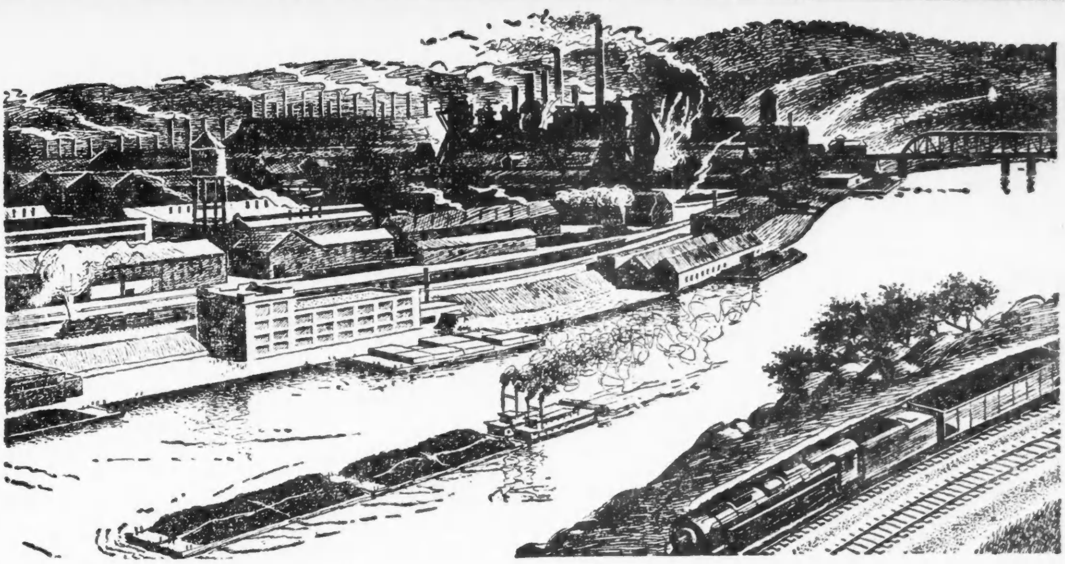
General Motors. Despite uncertainties in the automobile business, stock has acted well throughout the past few months. Positions, both short- and long-term, should be maintained and new purchases made on a "dollar-averaging" basis.

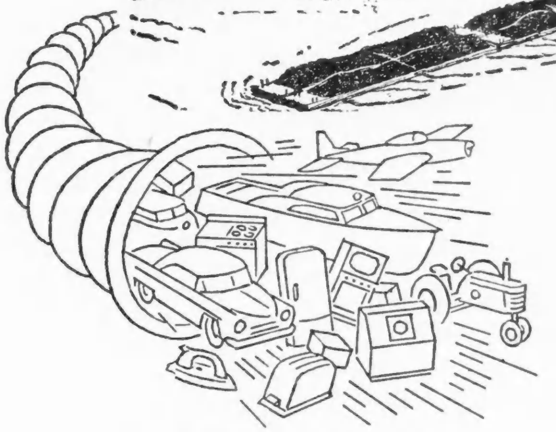
Gillette Co. An expected sharp rise in earnings this year has laid the base for an unusuually strong upward move in the stock which has more than doubled since last year's low. While new purchases are not recommended at this time, in view of the liberal valuation of earnings for an issue in a rather speculative group, long-term portfolio holdings need not be disturbed. Individuals primarily interested in shorter-term market swings, however, might consider partial acceptance of profits.

Goodrich (B.F.) Stock's important advance has rather liberally discounted near-term prospects but is probably in line with long-term potentials. Accordingly, while speculative profits by short or intermediate-term holders might be partially accepted, long-term holdings for portfolio investment need not be disturbed.

Goodyear Tire & Rubber. With a new record looming in earnings for this year, and prospects for an extra or stock dividend, stock's rapid advance has been rather solidly based. However, it seems to have more or less fully discounted even the fine earnings recorded. Partial acceptance of profits for those who have purchased the stock for speculative purposes at materially lower levels would seem in order but long-term investment holdings should be retained. "Dollar-averaging" not suited to this stock or Goodrich (see above).

Hooker Electrochemical. The stock represents a company in a highly specialized chemical field and, accordingly, its market valuation is not typical of the group. The stock is now selling at close to 25 times indicated earnings. On this basis, it would seem that near-term prospects have been fairly well discounted after its recent 30-point advance and a 3-for-1 stock split. As a long-term commitment, however, the stock possesses considerable attraction and present holdings, accordingly, need not be disturbed. New purchases should be deferred pending a more favorable market level. For interested investors, this growth stock could be acquired after the *(Please turn to page 48)*





Forces & Factors MINIMIZING DEPRESSION

By WARNER T. WILSON

(Editor's Note: As one observes the American scene to-day, it is not difficult to comprehend why foreigners and, in particular, Soviet economists, have entirely failed to grasp the real reasons why depressions have become virtually impossible in this country. It must be admitted, too, that many Americans themselves do not understand the massive change in the nature of their own economy. Perhaps this is because we have been too accustomed to thinking in terms of outworn concepts which have very little to do with modern America. In any case, the valuable and penetrating analysis in Mr. Wilson's article should not only give comfort to businessmen and investors who still fear the possibility of depression but should give enlightenment on the long-term direction which our country is taking.)

Ten years ago, the phrase "business cycle" connoted, at best, the brief but vicious recessions of 1921 and 1938; at worst, it suggested the violent and protracted depression of the 1930's.

But for the past decade, a period which includes eight years of supposedly hyper-sensitive postwar adjustment, to an economy of plenty from an economy of scarcity, the business cycle has been a strangely peaceful and quiescent animal. In fact, at mid-1954 the United States has just ridden through a third minor adjustment, with no important loss of momentum, and with no signs of impending doom.

Is this favorable postwar record nothing more than accident and happy coincidence? Or has the business cycle itself undergone a fundamental change? Are business trends more tractable, less violent? Is growth henceforth to be steady and sustained, rather than changeable and intermittent? What does the postwar business cycle suggest with regard to strengths and weaknesses in business conditions over the next several years?

The answer to these questions takes two forms. In the first place, something very fundamental has certainly happened to the American business cycle. In the second place, and apart from the question of the business cycle itself, business and the nation have been enjoying some very powerful new expansionary forces, of a long-term character, that have been pushing impatiently upward on the level of production activity, making booms bigger and contractions smaller. Combined with the weakening of the cycle itself, these sources of vigorous new demands have for a decade been defying the "prophets of gloom". At mid-1954, it remains a good bet that the defiance will continue.

What's Happened to the Business Cycle?

After fifteen years of a roaring business boom, and after about thirteen years of virtually constant full employment, why has no major business correction developed? Answer: four very dramatic changes in the nature of American business conditions have pulled many of the teeth out of the business cycle.

Among the most important of these changes has

National Income Per Capita			
1939	$ 556	1946	$1,259
1940	596	1947	1,322
1941	722	1948	1,424
1942	916	1949	1,386
1943	1,107	1950	1,497
1944	1,197	1951	1,654
1945	1,224	1952	1,727
		1953	1,792

been the increased size and augmented role of local, state and federal governments. Currently, all government is now purchasing about 22% of the total output of the American economy, and the proportion is not likely to change rapidly, either up or down, in the foreseeable future.

These enormous demands of government, which now amount to approximately $80 billion of goods and services a year, have some vital characteristics which distinguish them from the demands of businesses and individuals. They are, in the first place, planned far in advance—in the case of the federal government, almost two years in advance. (Many state governments actually budget for two year periods.) Partly because of this long lag between plan and outlay, government expenditures are more or less independent of government income over the short term even where (as in the case of local governments) it is considered very desirable to operate within a balanced budget.

In fact, however, most of the enormous growth of government's share of national output has been preempted by the federal government. With respect to this government, in particular, it can be said that spending is inversely related to income over the short term: that is, if tax receipts should decline because of recession, federal spending is more likely to rise than to fall, because of direct efforts to forestall recession.

The fact that the voracious demands of Washington for goods and services now amount to over one-seventh of all our output, as compared with about one-sixteenth in prewar years, thus argues strongly that a new weapon for forging economic stability has come into existence. And the interpretation that has been placed on the Full Employment Act of 1946 by both political parties suggests that the weapon will be used in future recessions, regardless of the fortunes of politics. The weapon was used in 1949; and in the recession of 1953-1954, a whole battery of monetary, fiscal and direct market measures was leveled against the business decline. The results were easy money, tax reduction, stimulation of investment through liberalization of depreciation alternatives, easier housing credit, stockpiling purchases of nonferrous metals, etc. This concern of government with the direction of the business trend, now that government is a major claimant on national output, marks an overwhelming change in the nature of the American business cycle.

Farm Income A Less Vital Factor

While the *growth* of the government sector has increased stability, so has the *shrinkage* of one notoriously unstable sector—agriculture. In the late 1920's, farms produced about 9% of the nation's annual output, and employed a correspondingly large part of the nation's labor force. By 1953, agricultural production has fallen to about 5% of total output, and the agricultural work force is now a bare 4% of our total employment. The violent cyclical swings which are characteristic of farm prices and farm incomes now affect a smaller part of the total business system. And there is every reason to believe that this shrinkage of one of the highly sensitive areas of business is likely to continue in coming years. The emphasis of Republican policy on restraining farm output to tolerable proportions, rather than on underwriting demand for uneconomic levels of output, presages a smaller and more stable American agriculture.

Thirdly, the years since 1933 have witnessed the development of an imposing battery of "cyclical snubbers." These deterrents to recession operate mainly in the direction of supporting personal incomes in the face of a decline in production. The snubbers are now of two principal forms. Unemployment insurance compensation, at the current rates prevailing in state laws, now will tend to offset roughly 25% of a decline in income owing to rising unemployment. From July, 1953, the peak of the recent cycle, to March, 1954, which apparently represented the bottom of the cycle, unemployment rose by approximately 2 million, and gross income payments declined by about $7 billion. In the same period, the rate of unemployment compensation payments rose by slightly more than $2 billion.

Post-War Growth of Middle Income Groups

(Percentage changes before taxes)

INCOME CATEGORIES (Before Taxes)	1953	1952	1951	1950	1949	1948	1947	1946
Under $1,000	10	11	13	13	14	12	14	17
$ 1,000-$ 1,999	13	14	15	17	19	18	22	23
$ 2,000-$ 2,999	14	16	18	19	21	23	23	25
$ 3,000-$ 3,999	16	18	18	19	19	20	17	17
$ 4,000-$ 4,999	16	15	15	12	11	12	10	8
$ 5,000-$ 7,499	21	17	14	14	11	10	9	6
$ 7,500-$ 9,999	5	5	4	3	2	2	2	
$10,000-$14,999	3	4	3	3	3	3	3	4
$15,000 and over	2							
Median Income	$3,780	$3,430	$3,200	$3,000	$2,700	$2,840	$2,530	$2,300
Mean Income	$4,570	$4,070	$3,820	$3,520	$3,270	$3,450	$3,290	$2,870

Similarly, at current tax rates the federal government absorbs 52% of the decline in corporate incomes, and about 13% of the decline in personal incomes.

Taking these two "snubbers" together yields a surprising conclusion: the government pays about 40 cents out of every dollar decline in individuals' incomes; and over 50 cents out of every dollar decline in corporations' incomes. This is snubbing, indeed: the government's share of the burden of recession is now roughly eight times as great as in the 1920's, when tax rates were minimal and unemployment insurance was unknown.

Finally, the vast consumer market has undergone a series of structural changes, since prewar years, which ranks as one of the great economic revolutions of all time. The end product of this revolution has been an enormous market for consumer goods and services, several times bigger than the prewar market, and very much more stable than the prewar market. In fact, it is the outstanding stability of consumers' demands that has been primarily responsible for the mild character of postwar recessions. In 1948-1949, a year of recession, personal consumption expenditures actually rose; in the recession of 1953-1954, they contracted very briefly, then climbed buoyantly to a new all-time high.

Growth of Middle-income Class

This strong trend of consumption in turn reflects a number of fundamental changes in the personal sector. Most noteworthy among these changes has been the growth of an American middle class that now dominates consumer markets. In 1946, one American family in ten had an income over $5,000; by 1953 the proportion had swollen to three in ten. Conversely, in 1946, 40% of American families had incomes less than $2,000; by 1953, the proportion had shrunk to 23%.

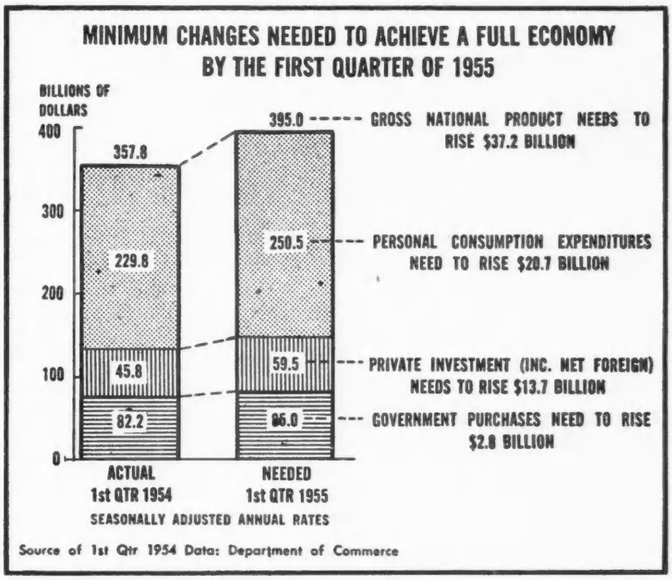
These income figures are buttressed by unprecedented holdings of liquid assets by American families. About three out of four families now hold some form of liquid assets—cash, bank deposits, savings and loan shares, U. S. Savings bonds, corporate securities—and the average holding is now close to $1,000. Both these figures are far in excess of any earlier experience, as is the current total of almost $400 billion in liquid reserves now available to the consumer sector as a whole.

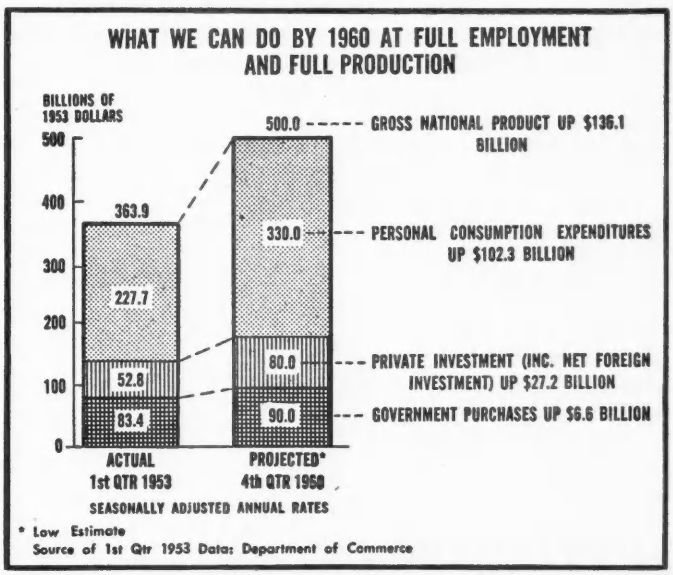
It is often argued that the holdings of these liquid assets are highly concentrated among higher income groups. This is certainly true: in fact, over half of all families with incomes below $2,000 hold no liquid assets at all. However, very significant levels of asset holdings appear in the $3,000-$5,000 groups—the lower-middle levels where discretionary spending begins to be of importance. And in upper income ranges, the presence of heavy asset holdings has been a boon to the markets for big-ticket items (cars, household goods) which would not benefit greatly if assets were equally distributed, in small amounts, throughout all families.

The striking stability and strength of consumer demand during the postwar period is thus attributable, in part, to higher incomes, and higher asset holdings. It is also owing, in some measure, to two prodigious "flywheels" which have tended to keep demand humming steadily along without interruption. In both durables markets and the housing market, consumers are saving, in the form of repaying debt, at rates that would have been considered fantastic even five years ago. Instalment credit repayment now runs at an annual rate close to $25 billion; amortization payments on home mortgages (not including interest on outstanding balances) now amount to about $5 billion per year. Consumers are thus constantly funding their long-term purchases at a $30 billion annual rate.

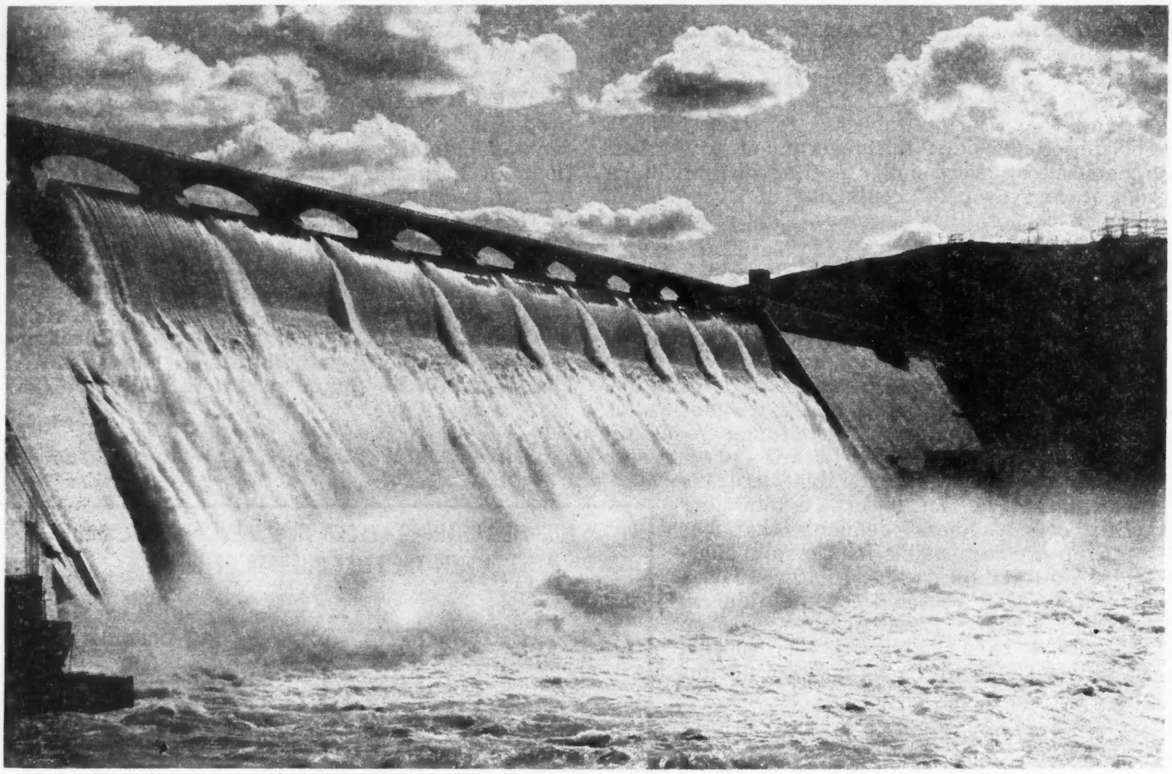
* * *

These changes, in the gov- (*Please turn to page* 46)





Conference on Economic Progress



FINAL SHOW-DOWN ON PUBLIC VS. PRIVATE POWER

By McLELLAN SMITH

After two decades of Government encroachment into the power field, the chances are that the problem is moving toward a solution which will hold for many years to come. In effect, the present Administration takes the view that where private power can operate in the public interest as well as its own, it should be permitted to do so; where only the Government can operate, Government should do the job. However, Administration policies portend a much more limited area of Government operation—an expanded area of private operation. This makes a difference, but the problem has political implications. The new Congress, if of a different Political Party, can reverse—or at least stymie the Administration's plans to let private enterprise develop power resources to the utmost of its ability with Government operating only where private development is not feasible.

A prime objective of the Administration is to halt the establishment of facilities which pay no taxes, and borrow funds from the Federal Treasury at negligible interest rates, as is the case with the Tennessee Valley Authority. There is little which may be done about TVA at this late date, but there are very plain indications the Administration feels it is time to call a halt to its expansion into areas properly to be left to private development. It is obvious that private enterprise cannot come into the picture if it is faced with the competition of an untaxed Government operation which also has the use of Treasury funds at little or no interest. President Eisenhower, in his Budget Message of January 21, 1954, recognized the unfairness of this usage of Federal funds when he proposed that "an adequate rate of interest be paid to the Treasury on public funds invested in power facilities of the Tennessee Valley Authority." The so-called Dixon-Yates contract, of which more later, is another indication the Administration has definitely embarked upon a course designed to give private power its opportunity of development in regions where Federal development is not made necessary by some unusual condition.

What About "Snake River"?

In areas other than that of TVA, secretary of Interior Douglas McKay has made it plain that Government prefers that private industry develop our hydro-electric potentials. He has done this in numbers of statements, while he implemented those statements with his ruling on the Snake River development in Idaho. Here it was proposed that the Federal Government build a single huge multi-

COSTS: TVA & PRIVATE UTILITY

June 1933, June 1952, Incl.

1. TVA River Plant Investment*	$1,190,900,000
2. Interest Cost to U.S. Treasury	150,000,000
3. Additional Interest Cost to Private Utility	284,400,000
4. TVA Pay'ts in lieu of Taxes	26,200,000
5. Additional Tax Cost to Private Utility	346,400,000

*Includes cost of Wilson Dam and steam plants, interest during construction, and workmen's compensation charges.

From its inception in 1933, through June 30, 1952, TVA power operations received an interest subsidy of $434 million and a tax subsidy of $346 million.

purpose dam in Hell's Canyon at a cost of around $400 million. McKay ruled this out in favor of the Idaho Power Co., which has been licensed by the Federal Power Commission to build three smaller dams in the Snake. The power output will not be as great as the proposed single Federal dam, but it will be greater in proportion to investment than that of the Federal proposal. In addition, the power company's physical properties will be on the tax rolls of the State and its revenues will be taxed by the Federal Treasury. It can be added that the company's plan of development will do less harm to farmers depending upon Snake River water for irrigation.

The foregoing–TVA and Snake River–have been touched on briefly at the outset to give the reader some indication of the Administration's thinking on public and private power developments. What the nation and the Administration desire is full development of its power resources without unnecessary and *untaxed* competition from the Government. In an expanding economy this is vital, and for that reason the public *versus* private power argument is of enormous significance. If private power can have its full opportunity, the nation will get the needed power much more quickly than if the Government monopolizes this activity. Private enterprise, spurred by legitimate profit motive, moves more swiftly in development than does a Federal bureaucracy with an eye more to political considerations than practical realities.

Obviously, if private enterprise is freed from unfair Government competition and undue Government restrictions, it can do a more businesslike job. This is of importance to investors in public utilities securities, but not to that group alone. Investors in companies manufacturing utilities equipment will be provided a broader base for future sales than would be possible if the field were relatively restricted to the slower-moving Government developments. Still others to gain would be those industries needing greater power supplies at the earliest possible moment. It is true that the private power industry has expanded rapidly in the past decade, despite existing Federal restrictions. But, looking to the future, it is debatable whether private power can make as much progress from this point onward without the assurance it can operate more freely and with less competition from Government.

Federal Power Program

At this point it might be well to review briefly the Federal electric (*Please turn to page* 42)

PUBLIC UTILITY COMPANIES LOCATED IN GOVERNMENT POWER PROJECT AREAS

Ohio Valley Atomic Energy Plant:

- American Gas & Electric Co.:
  - Appalachian Electric Power Co.
  - Indiana & Michigan Electric Co.
  - The Ohio Power Co.
- The Cincinnati Gas & Electric Co.
- Columbus & Southern Ohio Elec. Co.
- The Dayton Power & Light Co.
- Kentucky Utilities Co.
- Louisville Gas & Electric Co.
- Ohio Edison Co.
  - Pennsylvania Power Co.
- So. Indiana Gas & Electric Co.
- The Toledo Edison Co.
- The West Penn Electric Co.
  - Monongahela Power Co.
  - The Potomac Edison Co.
  - West Penn Power Co.

Paducah, Kentucky, Atomic Energy Plant:

- Central Illinois Public Service Co.
- Illinois Power Co.
- Kentucky Utilities Co.
- Middle South Utilities Co.
- Union Electric Co. of Missouri
- South Carolina Electric & Gas Co.

Involved in TVA contracts:

- Middle South Utilities, Inc.
- Southern Co.

St. Lawrence River Power Project:

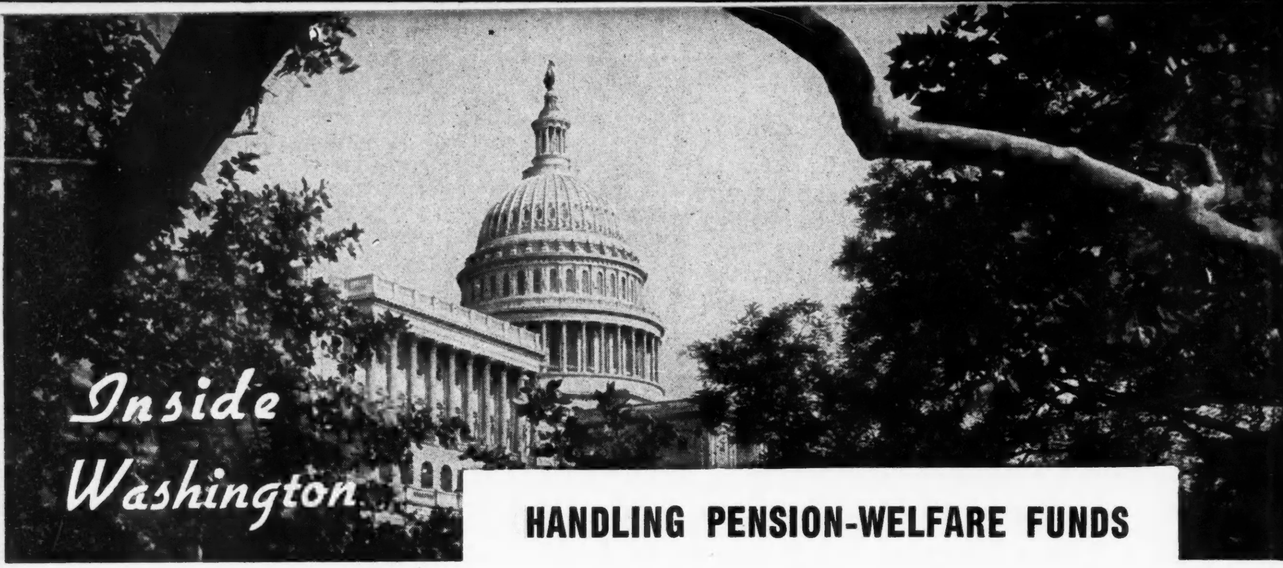
- Central Hudson Gas & Electric Corp.
- Consolidated Edison of N. Y. (potentially)
- New York State Electric & Gas Corp.
- Niagara Mohawk Power Corp.
- Rochester Gas & Electric Corp.

The Snake River:

- Idaho Power Co.

Columbia River Basin:

- Montana Power Co.
- Pacific Power & Light Co.
- Portland General Electric Co.
- Washington Water Power Co.
- Puget Sound Power & Light Co.



HANDLING PENSION-WELFARE FUNDS

By "VERITAS"

MINORITY HOUSING is the latest FHA prospect, but it's only in the talk stage. The program looks to more and better homes for the American minority groups. An advisory committee will convene in November and first item on the agenda will be how to provide greater quantities of housing credit supply for minority borrowers. FHA's studies convince Administrator Albert M. Cole that home loans to Negroes is good business, regarded as such by "today's forward-looking lenders and community leaders." The obvious implication is that the federal government will be required to step in and fill the void if financing companies and builders do not act on this appraisal.

WASHINGTON SEES:

Real purpose of the Hoover Commission study of the Department of Defense, just launched, is to separate the business operational work from the purely military activities at the Pentagon and that could be the best news business and industry have had in years.

Military-trained men who rose to high position handling troops have been placed in charge of technical branches dealing with procurement and specifications, with which they have only the cursory acquaintance gained in brief courses at the numerous "schools" attended as routine. Before World War 2, it was safe to leave control of the business-type matters in military hands. Industry's specialists participated at arm's length. But the various preparedness programs, a war, and a "police action" which funneled national industrial effort almost exclusively through the Pentagon demonstrated the need for non-military intelligence in the non-tactical departments of defense.

Perhaps the first step of major importance was commissioning of William S. Knudsen as a wartime general. Only in that way could military brass of lower echelon be made responsive: General Knudsen could get things done in Washington in a businesslike manner, whereas Bill Knudsen of General Motors could not.

President Eisenhower who had a close look at military shortcomings in peace and in war appointed Charles E. Wilson as Secretary of Defense to enlarge the idea of separation between the business-type and military tactic aspects of national security. Picked as a task force to study and recommend are men whose life histories are industrial and business success stories. And Ike won't tie their hands.

RESERVE force of industrial and business management will be recruited by the government along the lines of military establishment. Men with the know-how the nation must have in Washington will be interviewed now; they'll be asked about their availability to come to the Capital on short notice, and to stipulate how long their services can be spared by their own companies. Starting point will be a reserve force of 500 specialists, to be on tap for the Office of Defense Mobilization. The Air Force will require almost as many. But the persons selected won't be asked for peacetime guidance; they'll be called only in case of war or critical emergency. Farm and labor specialists will be included. They'll be dollar-a-year men for the most part.

DETERMINED to have a report and legislative recommendations for action by congress early in the new session, Rep. Samuel K. McConnell is personally heading the subcommittee now on the trail of evidence to sustain, or refute, the charge that union welfare and pension funds are being mishandled. McConnell is chairman of the full committee on labor. Coming from a politically "safe" republican district, he will devote normal campaign time to beginning on the West Coast. But that isn't the hideaway region of first magnitude; the committee expects to find more basis for laws requiring relief-pension fund reports when it reaches the automobile and the coal mining centers.

"PRO-EMPLOYER" label which is being affixed to the National Labor Relations Board with more emphasis than in the past (and with rather convincing evidence that, either by coincidence or Board leaning, management has been having the best of it) is worrying Chairman Guy Farmer.

As We Go To Press

Secretary Benson's secret weapon for making the farmers happy in an election year (the GOP must suffer no losses in the agricultural belt if it is to stay in the running as a "party in power") is taking form. The Administration knew when it originated the flexible support drive this year that it would be unpopular with the farmers at the start, depended on time to establish its worth. Meanwhile it is becoming apparent that a softening of the 1955 crop regulations, at the interpretive level, is to be brought about.

Acreage allotments for the 1955 crop corn, wheat and cotton probably will total around 40 million acres less than acreage planted to these crops in 1953 (base year for determining "total allotments" under the new program.) USDA figures that about 900,000 farms will be affected by the total; they account for about 80 per cent of the total production of allotment crops. On this basis, the new program could force as much as 30 million acres to hay, cover crops and the like—acreage which, presumably, was devoted to cash crops in 1953. But the Department of Agriculture is letting word filter down the line that all figures are subject to "adjustment" at the local level, where the pressures are most readily felt. This will be done where drought or other conditions "beyond the control of the operator" made 1953 a year not representative of the norm.

But the more important thing from the viewpoint of the farmer, who may not want to be the martyr in a period of income adjustment, and therefore also from the viewpoint of the consumer who'll pay the price eventually, is the nature of the penalty for non-compliance. Except for wheat, cotton, peanuts and tobacco, which will be under marketing quotas, the enforcement arm is loss of price support. It is predicted that many farmers may elect, to forego price support in order to get cash crop income from the diverted acres. But no matter how the regulations are extended, or even tortured, farm organizations say their members just won't have the money to do normal buying next year. USDA isn't arguing with that statement, but says the real benefits will begin flowing two years hence—small sacrifice for long-needed adjustment which the Department says means years of farm prosperity ahead.

The heat will be turned on congress from both sides when the lawmakers take up the subject of foreign trade policy revision next January. President Eisenhower, confessing in effect that the Administration let time slip away this year, will have ready for congressional examination in January, complete economic reports and the results of international exchanges on the subject. It sounds formidable. But so, also, does the other side: 60 industries, agricultural enterprises, and labor unions who say the Eisenhower policy would aggravate an already perilous situation confronting producers and their employees. The protests are being funneled through a nationwide Committee on Import-Export Policy.

Hundreds of companies and hundreds of thousands of payrollers are banded in the fight to dam back the flow of "cheap imports, made possible by poorly-paid labor, living under substandard conditions." The contention that Ike would carry this even beyond the present danger point is argued on the basis of the studies now in force, the President's message to congress this year, the effort to obtain a three-year extension of the Reciprocal Trade Agreement Act (congress extended it one year), and the fact that five of the last six U. S. Tariff Commission recommendations for tariff or quota changes designed to protect American industry were rejected.

If the National Committee draws substantial membership and interest from the groups it claims to represent (industry, agriculture, and labor unions) it must

be conceded that its Capitol Hill vote potential is enormous. And they intend to use it by convincing the congressmen that the Tariff Commission and the White House are ignoring the Escape Clause—the protection, they say, which made extension of the trade agreement act possible. Under this clause, this government is supposed to move in when trade agreements bring about a glutting of our market by cheap imports, endangering domestic production.

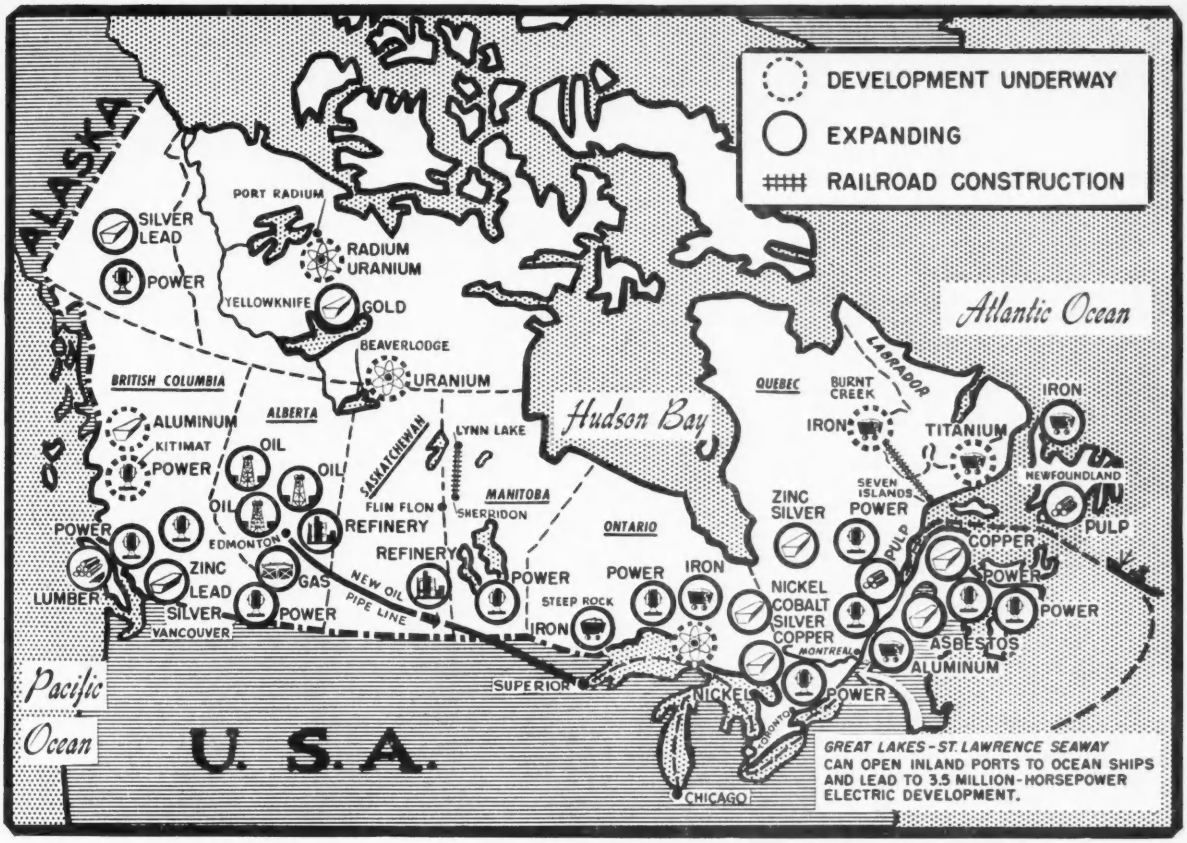
Attempt will be made to throw out Ike's report on the Geneva Conference on Tariffs and Trade, soon to take place. This country's participation in such a treaty-making deal is unconstitutional, not having been ratified in advance by congress, it will be argued. Among the groups most active in the Committee work are representatives of glassware, lace and textiles, pottery, cattle raisers, bicycle and motorcycle manufacturers, chemicals, wine and tree nut growers, farmers, coal, lead, and zinc miners, fisheries, and lumbermen.

Washington received with frankly expressed disbelief, the word that Gov. Thomas E. Dewey has renounced public office for the remainder of his life. The usual response was: "What? Again!" Dewey's retirements and returns to the center of the stage have followed the pattern of the late Sir Harry Lauder. He disclaimed interest in another try for the Presidency, then went after it; he wouldn't be a candidate for re-election as governor of New York, then sought it successfully. Those who say he means it this time offer as a very convincing argument, that he wouldn't let Senator M. Irving Ives out on the limb so far (Ives announced he'd accept the nomination to succeed Dewey), if it weren't going to stick this time. Then, too, many say Ike will seek a second White House term, which would rule Dewey out of a third shot for the top job. And as a by-product he has probably succeeded in dealing a blow at the Roosevelt political clan. Most people think he defeated Franklin D. Roosevelt, jr., without running against him. They say now it will be Ives vs. Harriman.

Economists can find support for almost any thesis they wish to state and the disparities will be matters of degree but none can dispute the fact that all records agree the national economy has used the federal government as a crutch less in the past year than at any other time since the Korean war ended. Money has not been force-fed from Washington. Some of the states and cities have made work here and there, launched public building programs, or other works.

Self-help has shown its effectiveness when a community is determined to save itself from sinking into the business doldrums. An industrial promotion program in Scranton, Pa., brought 55 new factories into the area. Prodded into action by the closing of 29 coal mines, a committee of businessmen, working through the Chamber of Commerce and with other citizen groups, raised $4 million through bond drives and capital contributions to a nonprofit corporation. The banks extended credit support and the corporation built plant for new industries. Rental rates, with purchase options were set at attractive levels. Unemployment faded and the economic base was stabilized.

Because Rep. Augustine B. Kelley of Pennsylvania, will be ranking majority member of the house labor committee in the event the democrats win control of the House of Representatives in November, his present thinking on Taft-Hartley Act seems important. As second-from-top, Kelly would head the major hearing sub-committees. On Labor Day, he said: "While the act (Taft-Hartley) has hurt many unions in many ways, its full force and effect have not yet been felt. Now we are reaching this critical stage. Unemployment is a major national crisis. If this condition continues, you will see more and more anti-labor employers trying to use Tart-Hartley to destroy unions. They need vast unemployment to succeed. We are now in the midst of vast unemployment." (The speech was made at Lewistown, which is in Mifflin County, slightly to the right of Centre County and (again mapwise) far to the left of Moscow, Lackawanna County, Pa.)



Canada Adjusts to

NEW BASE FOR EXPANSION

By V. L. HOROTH

(Editor's Note: In recent years, Canada has been the scene of extraordinary economic development, marked particularly by the exploitation of its fabulous natural resources. At the same time, its industrial capacity is expanding to meet the needs of a growing population. It is not surprising, therefore, that American investors should be taking a great interest in the affairs of our busy northern neighbor. However, it is necessary to remind our readers that Canada is still in the earlier stages of its economic progress in which, as in our own country at a similar stage of its history, extreme speculative activity necessarily plays a great part. For that reason, investors must be careful to distinguish between the sounder Canadian enterprises and those that still require intensive development before they can emerge into the ranks of solid business enterprises. Many failures are bound to attend these ventures in their initial phases.

In order to assist our readers in exercising sound judgment regarding Canadian securities, we have listed 17 of the most representative of Canada's stronger corporations. Many of these are already well known to American investors. Mr. Horoth's illuminating article concerns itself mainly with the broader aspects of more recent developments in connection with the expansion of the economic resources of the Dominion.

Contrary to all expectations, there has been no slackening of the pace at which our neighbors in Canada are pushing their economic frontier northward throughout the whole 3,000-mile width of the Dominion from Labrador to the Yukon. Never has there been so much exploratory activity, such extensive probing for new mineral and waterpower resources. Mineralogists and engineers rub shoulders with the Eskimos along the icy, treeless shores of the Arctic Ocean. The reports of new mineral discoveries ring with such picturesque names as Yellowknife, Heron Bay, and Copper River.

A striking number of great projects—such as the huge aluminium plant at Kitimat in British Columbia—are nearing completion, and even greater

projects, such as the St. Lawrence Seaway, are in the planning stage. Throughout the width and breadth of Canada construction of dams, factories and grain elevators is proceeding at an unprecedented rate. New highways and railroads are being thrust northward over the muskeg country into the polar tundra, and across the Northern Rockies into the valleys of mighty rivers flowing toward Alaska. New cities are rising, modern with electricity and schools, where only Indian fishing camps existed before, while the older cities on the prairies are building new factories, extending transportation and communication facilities, and generally bustling with activity.

What happened in the United States in the post-Civil War days when the frontier was pushed westward is taking place today, in Canada under the stimulus of the Second World War and, even more so, under the stimulus of the Free World's defense effort against communist imperialism. There is one difference: the process is much faster in Canada despite climatic difficulties. It is faster because of modern science and machinery and because of the airplane and the helicopter. Air transport has made possible not only rapid exploration from the air but also quick construction. The opening of huge iron deposits in the wilderness of central Labrador has been speeded by air transport of much of the ore mining equipment, hydro-electric machinery, and road and railway building equipment.

Canada is no longer merely a long, narrow strip of country, over 3000 miles long and no more than 300 miles deep along the northern frontier of the United States. She has become one of the greatest manufacturing countries in the world. From the northern reaches of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario, economic activity is now beginning to spill over northward into the territories, some with old names such as the Yukon, some with new names such as Mackenzie and Keewatin, all bound to become important in the future. These territories with the northern archipelago account for almost 45 per cent of Canada, equivalent to half the area of the continental United States.

The Mineral Discoveries

Uranium: The mineral development of the huge Mackenzie Territory was sparked by the pre-World War II discovery of rich pitchblende deposits near what is now *Port Radium* on *Great Bear Lake,* as a result of which Canada has come to rank as possibly the second largest world producer of uranium. Since then, four new major deposits have been discovered. The most important of these is extremely large, perhaps the largest known in North America; located at Beaverlodge on Lake Athabaska in the northwestern corner of Saskatchewan; the gross value of the main ore body is estimated at about $130 million. It has been exploited for more than a year now by Gunnar Gold Mines for the Eldorado Mining and Refining Company, the government agency that controls all uranium production in Canada, and is itself a big producer of uranium. A city called Uranium is now being built on the shores of Beaverlodge Lake by the Saskatchewan Government, which will also extend transportation facilities to the area.

Another recently discovered field, exploited by Algom Uranium and Pronto Uranium Mines, is located some distance inland, north of Lake Superior. Production is scheduled to start about a year from now. Other uranium ore deposits have been reported from the *Bancroft-North Bay area in Eastern Ontario* and from *Northern Quebec.* While the base price for uranium ore is $7.25 a pound, the Canadian companies are being paid premium prices ranging from $9.50 to $11.50 a pound.

Lead-Zinc-Copper Ore Discoveries: Canada has been the second largest world producer of zinc and the fourth ranking producer of lead and copper. Since many of the new discoveries concern multimetal ores, they are here treated together.

The most important discovery emerged last year in the northeastern section of New Brunswick, near

17 Leading Canadian Stocks

	1953		1st Half 1954				
	Earnings Per Share	Div. Per Share	Earnings Per Share	Indicated Full Year Div.	Price Range 1953-54	Recent Price	Indicated Div. Yield
Aluminium, Ltd.	$ 2.16	$ 2.00	$ 1.09	$ 2.00	74⅜-41¾	69	2.9%
British American Oil	2.40	.60	.70[1]	.77	27½-17	29	2.6
Calgary & Edmonton Corp.	.19	.10	n.a.	.10	13⅝- 7⅛	13	7.6
Canada Cement	6.97	3.00	n.a.	3.00	130½-72	125	2.4
Canadian Pacific Railway	2.05	1.50	n.a.	1.50	34 -21	27	5.5
Consolidated Mining & Smelting	1.23	1.35	n.a.	1.20	35⅝-22¼	30	4.0
Dome Mines	.86	.70	.40	.70	23⅜-13⅞	17	4.1
Dominion Steel & Coal	1.86	1.00	n.a.	1.00	16¾-10¼	13	7.6
Ford Motor of Canada "A"	12.07	3.00	n.a.	4.25	102 -59	99	4.2
Imperial Oil	1.61	.80	8.7	.90	37 -27½	36	2.5
International Nickel	3.55	2.35	2.17	2.35	48¾-34½	48	4.8
Massey-Harris-Ferguson	.96	.60	n.a.	.60	10⅝- 7½	8	7.5
McIntyre Porcupine Mines	2.93	3.00	.72[2]	3.00	71½-52	65	4.6
Royalite Oil Co., Ltd.	.26	.26	n.a.	.26	17¾-10¾	12	2.1
Shawinigan Water & Power	2.26	1.45	1.20	1.45	54 -37¼	51	2.8
Steel Co. of Canada	3.85	1.10	n.a.	1.30	39 -28	37	3.5
Union Gas Co. of Canada	2.42	1.20	n.a.	1.40	44¼-26⅞	42	3.3

n.a.—Not available.

1—4 months ended April 30, 1954.
2—Quarter ended June 30.

the city of Bathurst, in an area previously written off as a mineral producer. The ore body, containing enough silver, zinc, lead, and also sulphur to exceed the billion-dollar mark at present prices, has been staked by three companies: Brunswick Mining and Smelting Corporation, which holds control over some 75 million tons of ore alone, Anacon Lead Mines Ltd., and Leadridge Mining Company Ltd., a subsidiary of St. Joseph Lead Co. The most economical method of getting the ore out seems to be by a railroad about 50 miles long to the Gulf of St. Lawrence and then by ship to smelting centers in the United States and Canada.

Near Manitoowadge Lake in the Blind River area of Eastern Ontario (just north of Lake Huron), another important find was made last year of rich copper-zinc ores which, once developed, will probably make this one of the largest producing areas. The area is fairly easily accessible from a nearby station on the Canadian Pacific. Principal interest in several thousand claims is held by Geco Mines, backed principally by Consolidated Howey Gold Mines and American Metal Co.

Still another copper-lead-zinc complex has been discovered in the Pelley River area in the Yukon territory by Prospectors Airways Co., but exploitation will probably have to wait. Meanwhile some of the older projects are nearing completion or have started producing. The exploration of great zinc-lead deposits near the old gold-mining town of Yellowknife on Great Slave Lake is well advanced, and a permanent township is being built. A large copper smelter is being completed for Gaspe Mines, a subsidiary of Noranda Mines, on the Gaspe Penninsula in Quebec, while in the newly opened Chibougamou area in central Quebec a small copper smelter owned by Opemiska Copper Mines started operating in 1953. Meanwhile a new producer Barvue Mines, in the Amos district in northern Quebec, has been expanding its zinc output steadily despite a lower price for the metal.

Nickel: Canada has long been the premier source of nickel, the largest producers being International Nickel and Falconbridge Nickel, with mines located principally in the Sudbury District of Ontario. This year, with a railway finally extended through scrub and muskeg wilderness, the Lynn Lake properties of Sheritt-Gordon's nickel and copper mines are expected to contribute to production. Last year East Rim Nickel was among the new Sudbury producers. Good nickel deposits have been discovered near Lynx Lake, Kenora, Ontario, at Rankin Inlet on the west coast of Hudson Bay, near Montmagny in Eastern Quebec, and, finally, at Klouane Lake in the Yukon Territory.

Asbestos: The Quebec region is probably the world's greatest single producer of this important mineral, the use of which is constantly expanding. A huge new deposit discovered in 1953 in this area beneath Black Lake is to be exploited by United Asbestos Corporation Ltd. in partnership with American Smelting and Refining, but the lake will have to be drained to permit open-pit mining. In northern British Columbia, Cassair Asbestos Corporation Ltd. has begun to exploit an asbestos deposit estimated at 7 million tons.

Light Metals: Aluminum, Magnesium, Titanium. Thanks to cheap and plentiful waterpower, Canada produces about 25% of the world's output of aluminum. This proportion will increase materially when the Kitimat project of Aluminium Co. Ltd. of Canada is completed. The Kemano powerhouse, which is located inside a mountain and which will feed the smelter at Kitimat, is almost finished. The project defies imagination. The initial installed capacity will be 450,000-hp and the output about 83,000 tons annually, based on converting bauxite from Jamaica and fluorspar from Newfoundland. Ultimately this world's largest smelter will have an installed capacity of some 2,200,000-hp, with production exceeding 500,000 tons a year, almost as much aluminum as the whole world produced back in the thirties.

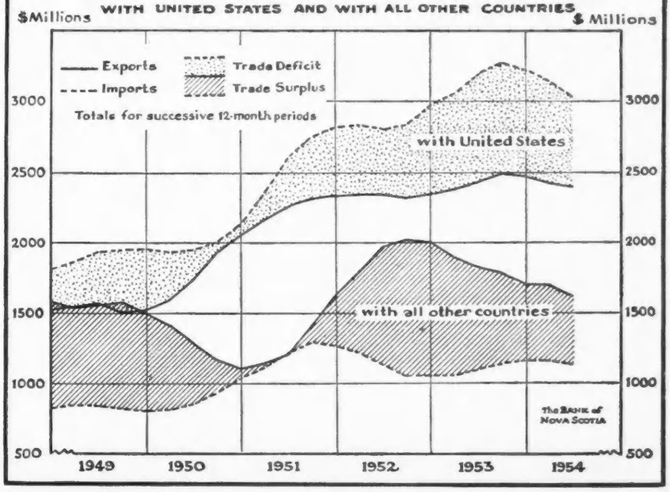
But Kitimat is only one of Alcan's many expansion projects. The company is also constructing two new powerhouses on the Peribonka River in Quebec, which will raise its power generating capacity in this province by more than 500,000-hp to over 2,000,000-hp and its smelting capacity to 500,000 metric tons of aluminum a year. The expansion program is based on the growing needs for aluminum throughout the Free World. Compared to the 16 lbs. per capita consumed (*Please turn to page* 55)

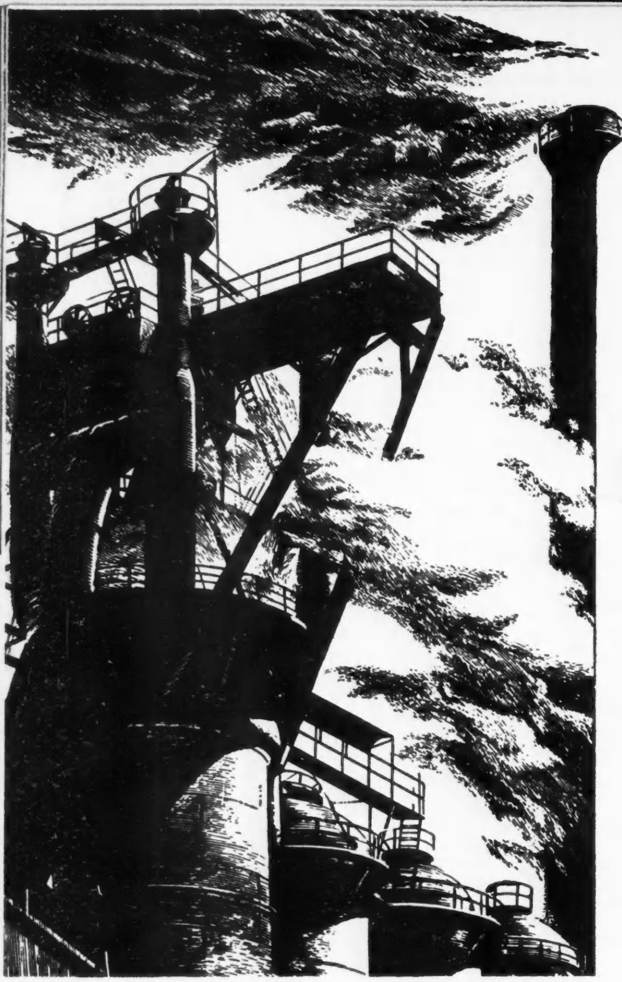
Canada – Principal Statistics

	1939	1949	1952	1953
Steel (million tons)	1.4	2.9	3.4	3.7
Coal (million tons)	13.4	15.6	14.1	12.6
Petroleum (million tons)	1.0	2.7	8.3	10.9
Newsprint (million tons)	2.9	4.7	5.2	5.7
Lumber (billion feet)	1.7	2.6	3.2	3.1
Synthetic rubber (thou. tons)		47.4	75.5	82.4
Gold (million fine ounces)	5.2	4.1	4.4	4.1
Silver (million fine ounces)	23.2	17.6	25.2	28.4
Copper (million fine pounds)[1]	608	527	516	508
Nickel (million fine pounds)	226	257	281	286
Lead (million fine pounds)[1]	389	319	337	391
Zinc (million fine pounds)[1]	395	576	744	800
Iron ore (million tons)		3.3	4.7	5.9
Asbestos (thousand tons)	361	575	929	911
Natural gas (billion cu. meters)	1.0	1.7	2.5	2.9
Cement (billion tons)	.9	2.5	2.9	3.6

[1]—Total metal content.

② BALANCE OF CANADIAN MERCHANDISE TRADE WITH UNITED STATES AND WITH ALL OTHER COUNTRIES





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CANDIDATES FOR YEAR-END DIVIDEND INCREASES

★

By J. C. CLIFFORD

Another Yuletide bonanza is in prospect for investors this year. Despite apprehension over business trends experienced early in the year, all indications point to a new high in extra and special dividends around the Christmas holidays. Several reasons may be cited to raise this happy vision.

In the first place, bonus payments in the fourth quarter this year probably would compare favorably with those of a year ago even if industrial activity were at a lower ebb, for many managements deferred year-end extras twelve months ago until December 31 because of tax reasons. Payments were made in January instead of in December in a great many instances to permit stockholders to gain the benefit of lower personal income tax rates which became effective after the close of 1953. Other things being equal, therefore, distributions this year normally might expect to revert to the old pattern and to be paid before December 31, hereby contributing to a fatter 1954 dividend check for the average owner of common stocks. A second reason for anticipating liberality on the part of managements is to be found in the fact that directors feel that more nearly normal conditions justify distribution of a higher percentage of profits. Elimination of excess profits taxes, for example, has resulted in distinct improvement in earnings for many companies. Many such concerns would have paid larger 1953 dividends had not there been a need for conservation of cash to meet income tax payments attributable to EPT. In addition, with financing conditions so favorable, some managements would feel tempted to borrow needed funds at low rates and pay out a larger share of earnings as a measure of improving credit relations.

Financial Improvement Stimulates Payments

As a matter of fact, the need of retaining earnings for expansion programs is becoming less urgent because most developments of this kind have been virtually completed. Withholding of earnings to provide funds for improvements will become even less urgent in the coming year. Balance sheets have been bulwarked, productive facilities have been modernized and expansion to provide for larger output no longer is so important as in recent years. All of these factors have contributed to a willingness to reward patient stockholders who went without while labor gained most of the benefits of the postwar boom.

It would be a mistake, of course to assume that the reassuring outlook has universal applications. One need only stop to ponder unfavorable factors in certain industries and to recall adverse dividend developments brought to light in recent months to realize that the selectivity which has characterized the stock market may be expected to prevail no less prominently in dividend decisions.

Year-End Dividend Outlook for 100 Companies

	Special Cash Div. Paid 1953 Year-End	Price Range 1953-54	Recent Price
Abbott Laboratories*	$ .05	49⅜- 39⅛	45
Allied Chemical & Dye*	.60	101 - 62	91
Amerada Pete*	1.00	197 -148½	180
American Home Products*	.50	63¾- 36⅛	59
Armstrong Cork*	.70	76¾- 48¾	75
Atchison, Topeka & Santa Fe*	2.00	119½- 86	111
Atlantic Coast Line*	1.00	126½- 83¼	119
Atlas Powder*	.80	47⅛- 31¼	44
Beatrice Foods*	.25	51¾- 34⅜	47
Borden Co.*	1.00	74½- 52½	74
Borg-Warner*	1.00	91¾- 64¾	88
Burroughs Corp.*	.10	22⅞- 13½	21
Certain-teed Products*	.12½	22¼- 11½	20
Chicago Pneumatic Tool*	.50	36¾- 20⅞	33
Cities Service Co.*	1.00	106¾- 70⅞	98
Clevite Corp.**	.15	30⅛- 18	18
Cluett Peabody*	1.00	37¾- 28¼	36
Coca-Cola*	1.00	125¾-107	114
Columbia Broadcasting "A"*	.25	71 - 38¼	62
Container Corp. of Amer.*	.75	64½- 28¾	60
Continental Oil*	.10	73 - 48⅜	69
Corning Glass*	1.00	125 - 70	114
Corn Products*	.25	82 - 67⅛	80
Crane Co.**	.25	36¼- 25⅛	35
Cutler Hammer*	.50	61½- 31¾	53
Douglas Aircraft*	1.50	92½- 43	81
Du Pont*	1.25	144½- 91	137
Eaton Mfg.**	.50	49½- 36¼	45
Electric Storage Battery**	.50	37¾- 23	23
Elliott Co.*	.40	33⅝- 22	27
Firestone Tire & Rubber*	.75	83 - 53⅝	77
Flintkote Co.*	.50	35⅞- 25⅛	32
General Cigar*	.20	25 - 16½	23
General Electric**	1.00	48½- 22⅛	43
General Portland Cement*	1.00	73½- 42¼	69
General Railway Signal*	.50	37¾- 25	31
General Refractories*	.40	25¼- 19	23
Gillette Co.**	.75	68½- 32¼	63
Grace (W. R.) & Co.*	.15	42¼- 24¾	39
Great Northern Paper*	.60	73½- 49½	66
Hercules Powder*	1.35	93½- 60¼	89
Hershey Chocolate**	.50	44¼- 37¾	39
Houdaille Hershey**	.30	17 - 12	14
Inland Steel*	.50	67½- 35⅞	60
Jewell Tea*	.20	48½- 34	44
Johns-Manville*	1.25	77¾- 57¾	75
Johnson & Johnson**	.25	69¾- 50½	65
Joy Mfg.**	.62½	39¾- 29¼	33
Kennecott Copper*	2.25	87⅞- 59⅛	83
Kroger Co.*	.40	52¾- 37¼	47

	Special Cash Div. Paid 1953 Year-End	Price Range 1953-54	Recent Price
Libbey-Owens-Ford Glass*	.30	60¾- 33¾	56
Liggett & Myers Tobacco*	1.00	82 - 56	60
Link Belt**	.60	47¾- 35¾	43
Lockheed Aircraft*	.25	44¼- 20¼	41
Lone Star Cement*	.35	46½- 26	43
Lorillard (P.)*	.40	30½- 21¼	24
Lukens Steel**	1.00	45¾- 36⅝	43
McCrory Stores**	.10	15⅝- 11¾	14
McGraw Electric*	.50	101½- 57¼	98
McGraw-Hill*	.25	60 - 26½	58
Mid-Continent Petroleum*	.25	91½- 55⅛	90
Minneapolis-Honeywell Reg.*	.25	99½- 53½	92
Monarch Machine Tool*	.15	27⅛- 15¼	23
Montgomery Ward & Co.*	1.50	80⅜- 53⅝	74
National Steel**	.25	56⅞- 40⅛	48
Nopco Chemical*	.15	24½- 16	23
Ohio Oil*	.25	69 - 49⅞	62
Penn-Dixie Cement*	.50	56½- 30½	51
Pennsylvania Salt*	.50	52¼- 40¼	46
Penney (J. C.) Co.*	1.50	89½- 65¾	84
Pfizer (Chas.) & Co.**	.25	38 - 26	36
Phelps Dodge*	.40	43¼- 29¼	40
Pittsburgh Plate Glass*	1.20	60 - 44	58
Pullman Inc.*	1.00	57¼- 35¼	53
Radio Corp. of America*	.20	35 - 21⅝	32
Raybestos-Manhattan*	1.50	47½- 35¼	43
Republic Steel*	.37½	62⅜- 40¾	60
Richfield Oil*	.50	65 - 43¾	55
Ruberoid Co.*	1.75	39⅜- 25¼	38
Sears, Roebuck & Co.*	.75	69⅞- 56⅛	68
Simmons Co.**	1.00	37¼- 28⅛	35
Socony-Vacuum*	.25	46¼- 30	45
Square D Co.**	.65	41¾- 21¾	36
Standard Brands*	.10	36⅞- 25	34
Standard Oil of N. J.*	.75	98 - 67	94
Stewart Warner**	.35	23⅞- 16¾	20
Sunbeam Corp.*	.65	39¾- 24½	37
Texas Co.*	.40	75⅛- 49⅝	72
Texas Pacific Coal & Oil*	.25	49⅜- 30½	46
Tidewater Associated Oil**	.15	27¼- 18¼	21
Union Carbide & Carbon*	.50	89 - 61½	79
Union Tank Car*	.10	31½- 19½	27
United Air Lines*	.50	32¼- 21⅛	25
U. S. Gypsum*	1.50	184 -103¾	172
Western Auto Supply*	.75	57⅞- 43½	48
Westinghouse Air Brake**	.40	29⅛- 22¼	25
Worthington Pump*	.50	48⅝- 26	43
Yale & Towne Mfg.*	.50	49 - 31	45
Youngstown Sheet & Tube*	.75	65 - 34	58
Zenith Radio*	1.00	84 - 62½	69

New Candidates for Year-End Special Dividends

	Price Range 1953-54	Recent Price
Bendix Aviation*	90½- 50	88
Bethlehem Steel*	82½- 44¾	79
Boeing Airplane*	69¼- 18¼	61
Fairchild Engine & Airplane*	18¼- 6¾	16
General Motors*	82¾- 53⅝	81
Monsanto Chemical*	97½- 79	85

	Price Range 1953-54	Recent Price
National Gypsum*	37⅛- 17⅝	33
Rohm & Haas*	261¼-115	249
Twentieth Century-Fox Film*	28½- 13½	28
U. S. Steel*	56 - 33½	55
Western Union*	56 - 35¾	55
White Motor Co.*	36½- 27	33

*—Indicates favorable outlook for extra.

**—Indicates uncertain outlook for extra.

As a partial guide for investors in looking ahead to the year-end, the accompanying tabulation has been prepared. This compilation presents an abbreviated list of companies that distributed special or larger-than-usual year-end dividends a year ago. Included also are several promising new candidates for bonus payments this year. An attempt has been made to select representative concerns which have registered earnings improvment that might justify larger payments, but it must be understood that such selections are not to be deemed forcasts. In this connection, too, an effort has been made to indicate where repetition of favorable action seems unlikely this year and where, on the other hand, year-end payments may be the same as a year ago or even more generous.

As a further guide in assisting investors to peer into the future, the remainder of this discussion will be devoted to brief comments on individual companies in an attempt to clarify the outlook for the individual concern and also to suggest to some extent conditions affecting competitors in the same industry. A perusal of observations and supporting statistical data should prove helpful in scanning market prospects for important stocks. The market position of several of the stocks mentioned below is treated separately in the article "Where Are 1954's Big Movers Headed Now"?

Allied Chemical has registered impressive gains in recent years in shifting emphasis from heavy chemicals to products affording wider profit margins. Aggressive promotional activities have enlarged sales. With the benefit of tax relief, improvement in earnings is anticipated in spite of heavier amortization charges incident to plant expansion financing. Dividends have been liberalized with an increase first to 60 cents from 50 cents quarterly and in the June quarter to 75 cents. Payments currently are at the annual rate of $3 a share, the amount paid in 1953, when regular distributions of $2 were supplemented by an extra of $1. Prospects are regarded as promising for a moderate extra this year even though the regular rate has been raised.

American Home Products has followed the practice of declaring year-end extras for several years, supplementing regular monthly distributions. Such action usually has been taken after directors have had an opportunity to project results for the full year and have determined approximately what proportion of net profit should be distributed. In reflecting gradual improvement in earnings, arising from greater emphasis on ethical drugs and other profitable lines, the regular monthly rate has been raised to 20 cents a share. A modest year-end extra may lift disbursements this year above the 1953 payout of $2.30 a share.

Borden Co. is another company which has adhered to a conservative policy of paying modest interim dividends and distributing a year-end payment based on estimated full year's earnings. Including special disbursements, payments to stockholders have come to $2.80 a share annually for several years. Reflecting relief from EPT and larger sales volume, indicating that net profit may run ahead of last year's $4.71 a share, payments in 1954 readily may exceed the $2.80 of 1953.

Bendix Aviation, one of the leading manufacturers of important aircraft mechanisms and automotive parts, has experienced another profitable year. In the fiscal period ended September 30 earnings may have approximated $9 a share, against $8.20 last year. Such a showing would seem to warrant consideration of a fairly substantial year-end extra or perhaps a stock dividend.

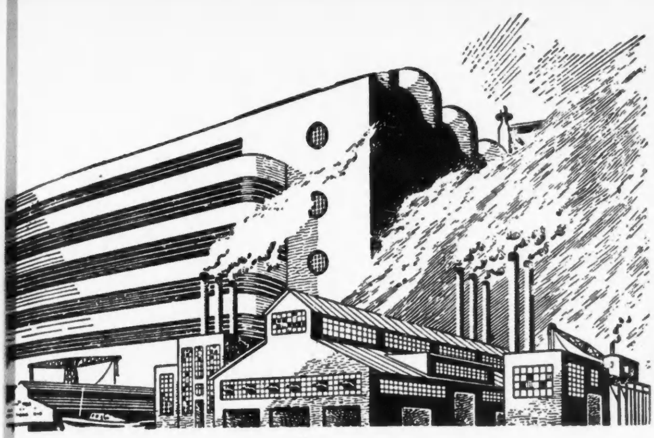
Borg-Warner Corp., one of the major producer of automotive parts and accessories, has managed to achieve reasonably satisfactory results considering keen competition and reduced volume of business in automotive lines. Better demand for new products and more satisfactory results in household appliances may have helped explain maintenance of earnings. Net profit may decline moderately from last year's $9.77 a share. Results should prove adequate, however, to warrant payment of the customary $1 extra to bring 1954 payments to $5 a share.

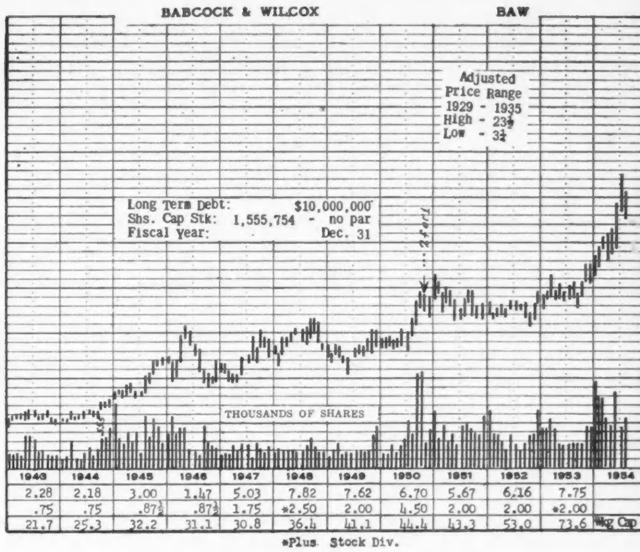
Cities Service Co., a growing integrated oil producer, refiner and marketer, has felt the adverse effects of narrower refinery margins and rising distribution costs. Earnings are expected to sag 15 per cent or so from last year's $13.05 a share, but net profit seems certain to provide sufficient coverage for an extra dividend of $1 a share to warrant favorable action. The regular quarterly payment of $1 a share has been in force for several years.

Douglas Aircraft, a major manufacturer of military and commercial planes, guided missiles, etc., has experienced a sharp improvement in earnings this year in reflecting enlarged shipments. The order backlog remains well above $2,000 million. Net profit on sales which may come close to $1,000 million for the year ending November 30 is estimated at $10 to $12 a share, against $7.73 on the current capitalization a year ago. A 2-for-1 stock split took place last May. An extra dividend in addition to the usual modest quarterly dividend appears a reasonable expectation.

General Motors, major factor in motor car manufacturing, has been outstanding among publicly owned manufacturers in its field. Net profit is expected to rise comfortably above last year's $6.25 a share, whereas most competitors are destined to report smaller earnings if any. Despite plans for extensive improvement of plant facilities, the company may feel warranted in declaring an extra dividend, since management traditionally has paid out a relatively high proportion of earnings.

Liggett & Myers, one of the three major cigarette producers, is believed to be in line for the usual extra dividend this year in spite of difficulties being encountered in the industry. Earnings are expected to compare favorably with last year's $5.50 a share with the benefit of slightly higher prices on the average and relief from excess profits taxes. Problems have included keen competition for public preference in filter tip and king size smokes as well as indications of a slight decline in sales volume. Dividend payments have included $1 extra in addition to regular $1 quarterly payments for several years. (*Please turn to page* 52)





5 Attractive Stocks With Unusual Features

By OUR STAFF

The market, having ascended in the past year to unusual heights, has made it increasingly difficult to make security selections on a reasonable price basis. However, as the pressure for investment remains great despite the high levels of the market, it becomes all the more necessary to make painstaking efforts to locate stocks that will afford interesting potentials for appreciation. Obviously, the number of such opportunities is now more limited than formerly. Still, if the search is directed toward such issues which are somewhat off the beaten path, it is possible, even at this stage of the market, to uncover opportunities that may be quite rewarding.

We have just completed a survey of a group of stocks which have only sporadically attracted public attention in the past few months but which seem to be rather outstanding nevertheless because of unusual features in connection with each of these companies. Of this number, we have selected five for the consideration of our readers. Each of these stocks has been, and continues to be, favorably affected by special developments likely to prove operative, more or less, independent of general business conditions. While not of true investment calibre, they may be said to fall into the classification of the "business man's" type of investment. The five stocks are: The Babcock & Wilcox Co.; Chicago Corp.; Combustion Engineering, Inc.; Food Machinery & Chemical Corp.; and West Virginia Pulp & Paper Co.

In these groupings, we sometimes suggest a package investment as a useful approach by investors who want to spread a semi-speculative commitment among a small list of stocks, rather than concentrate funds in one or two. This package method might be adopted in the present instance. The average yield on the five stocks is approximately 4.4%. Salient features of each company in this list, together with pertinent statistical data, are presented in the accompanying comments.

THE BABCOCK & WILCOX COMPANY

BUSINESS: The company is a leading manufacturer of boilers and related equipment in a wide range for utilities, marine and heavy general industrial purposes. It is also a producer of stainless steel tubular products, specialty refractories, industrial equipment, steam flow and fluid meters, and combustion control equipment. Its Atomic Energy Division is engaged in research in design and fabrication of equipment for use with nuclear energy.

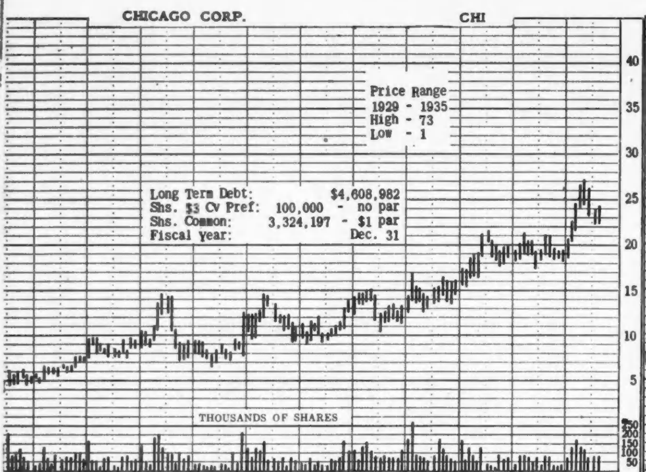
OUTLOOK: Babcock & Wilcox, now in its 74th year is well entrenched as a manufacturer of euipment to generate steam from various types of fuel. Its strong position in this field, however, has been materially enhanced in later years through its continuous research and development program and its entry into other production fields, particularly in seamless and welded tubular products of carbon, alloy and stainless steel. So rapid has been the increase in demand for this latter product the company, under urgent demand, has expanded production capacity of its Tubular Products Divisions by 40 per cent. Rapid advancements in the atomic energy, aircraft and boiler industries has not only increased the need for stainless tubing, but made it essential to produce this tubing of unusual strength properties under conditions of high temperature and stress in keeping with technological progress in the chemical, textile, food, paper and other industries. A considerable portion of the company's research activities has been and is being devoted to nuclear energy equipment. B & W which supplied equipment for the "Nautilus," and is building equipment for the "Sea Wolf," has already solved some of the unusual problems involved in the utilization of fissionable material as a fuel. It envisages the development of nuclear power units for many uses, including industrial heat and process applications, central heating plants, package power plants and large-scale catalysis of chemical reactions, to mention just a few. The company closed its 1954 first half-year with net equal to $4.56 a share as against $8.14 for full 1953.

DIVIDENDS: Since the two-for-1 stock split in 1950, the shares have received dividends of $2 annually, plus 5% stock dividends in both 1953 and 1954.

MARKET ACTION: Recent price of 59½, compares with a 1953-54 price range of High—65¼, Low—35¾. At current price, the yield, exclusive of stock dividend, is 3.3%.

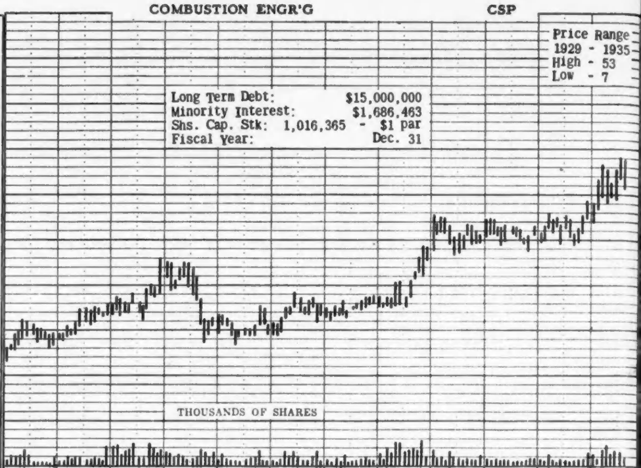
COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1944	June 30 1954	Change
	(000 omitted)		
ASSETS			
Cash & Marketable Securities	$ 27,575	$ 11,600	—$ 15,975
Receivables, Net	15,250	35,840	+ 20,590
Unbilled Shipments, Etc.	2,734	23,939	+ 21,205
Inventories	12,781	41,204	+ 28,423
Advances on Contracts	cr 2,596	cr 2,315	— 281
TOTAL CURRENT ASSETS	55,744	110,268	+ 54,524
Net Property	5,465	34,861	+ 29,396
Investments	3,571	4,444	+ 873
Other Assets	3,581	267	— 3,314
TOTAL ASSETS	$ 68,361	$149,840	+$ 81,479
LIABILITIES			
Notes Payable—Banks		$ 6,000	+$ 6,000
Accounts Payable	$ 4,975	6,645	+ 1,670
Accruals	5,986	13,124	+ 7,138
Tax Reserve	19,423	10,881	— 8,542
TOTAL CURRENT LIABILITIES	30,384	36,650	+ 6,266
Other Liabilities		1,121	+ 1,121
Reserves	5,255	2,250	— 3,005
Long Term Debt		10,000	+ 10,000
Capital Stock	17,600	34,260	+ 16,660
Surplus	15,122	65,559	+ 50,437
TOTAL LIABILITIES	$ 68,361	$149,840	+$ 81,479
WORKING CAPITAL	$ 25,360	$ 73,618	+$ 48,258
CURRENT RATIO	1.8	3.0	+ 1.2



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	.09	.19	.22	.61	.65	1.36	1.09	.95	1.07	1.20	1.45	E2.30
DIV.	-	-	-	.25	.45	.50	.60	.60	.60	.75	.80	
Wkg Cap $ Mil	-	-	-	-	-	-	5.9	5.3	5.2	5.1	6.7	

E - Estimated Earnings



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	1.97	1.76	1.58	2.65	4.82	7.11	6.92	9.35	6.24	6.15	7.25	
DIV.	1.20	1.20	1.20	1.50	1.60	1.85	1.50	3.25	3.25	3.00	3.00	
Wkg Cap $ Mil	6.0	6.4	7.9	9.0	9.8	25.0	29.3	38.5	38.4	48.7	46.5	

CHICAGO CORPORATION

BUSINESS: Through subsidiaries and affiliates, this company, formerly largely of an investment trust type, engages in production and processing of oil and natural gas, including manufacture of distillates, and is energetically pursuing a far-flung exploration program.

OUTLOOK: While one of the smaller independents, Chicago Corp.'s management is distinguished for its progressive and practical policies. Thus, it has been not only effectively developing existing acreage but it has steadily been adding in new sections deemed to hold future promise. In the year ending Dec. 31, 1953, the company added almost 120,000 acres to its lease holdings, bringing them up to 650,000 net acres. At the same time, it increased its producing wells by 82, bringing the total up to 615, or 320 gas wells and 295 oil wells. Principal holdings are in Texas but holdings in Montana, Colorado, Nebraska and Wyoming are also said to show promise. The company has a major contract with Tennessee Gas Transmission Co. and with Manufacturers Light & Heat Co. on which price increases were secured last year. One of the most interesting phases of this company's operations has been both the purchase of new properties and the sale of others. This has led to a considerable volume of change in the company's holdings over the past few years, with new properties displacing old ones as the necessity arises. This imparts a certain degree of flexibility to management operations. Slow but steady growth in earnings has featured the company's record with earnings advancing from less than $1 a share in 1950 to $1.53 a share in 1954. It is estimated that earnings in 1954 may be slightly in excess of $2 a share. With its expansion in the natural gas field, as well as stronger position in producing acreage, and in straight manufacturing operations, the outlook for the shares has improved and they may be considered an interesting speculation for long-term.

DIVIDENDS: Dividends are being paid at the rate of 80 cents annually and a modest increase would appear warranted.

MARKET ACTION: Recent price 22¼, compares with a 1953-54 price range of High—27⅛, Low—17¼. At current price, the yield is 3.7%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1950	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 6,164	$ 7,599	+$ 1,435
Receivables, Net	4,810	4,452	— 358
Inventories	767	101	— 666
Mat. & Supplies		943	+ 943
TOTAL CURRENT ASSETS	11,741	13,095	+ 1,354
Net Property	22,881	28,557	+ 5,676
Investments & Securities	11,155	4,947	— 6,208
Other Assets	608	320	— 288
TOTAL ASSETS	$ 46,385	$ 46,919	+$ 534
LIABILITIES			
Debt Matur.	$ 1,169	$ 530	—$ 639
Acct. Pay. & Accruals	3,208	3,655	+ 447
Tax Reserves	2,017	2,150	+ 133
TOTAL CURRENT LIABILITIES	6,394	6,335	— 059
Other Liabilities	2,352	124	— 2,228
Long Term Debt	7,634	4,485	— 3,149
Preferred Stock	2,500	2,500	
Common Stock	3,324	3,324	
Surplus	24,181	30,151	+ 5,970
TOTAL LIABILITIES	$ 46,385	$ 46,919	+$ 534
WORKING CAPITAL	$ 5,347	$ 6,760	+$ 1,413
CURRENT RATIO	1.8	2.0	+ .2

COMBUSTION ENGINEERING, INC.

BUSINESS: The company is one of the leading designers and manufacturers of steam generating equipment for which its most important market is electric utility companies. It also manufactures pressure vessels, equipment for the processing industries, and is identified with atomic energy, actively participating in developments relative to the generation of power from nuclear sources.

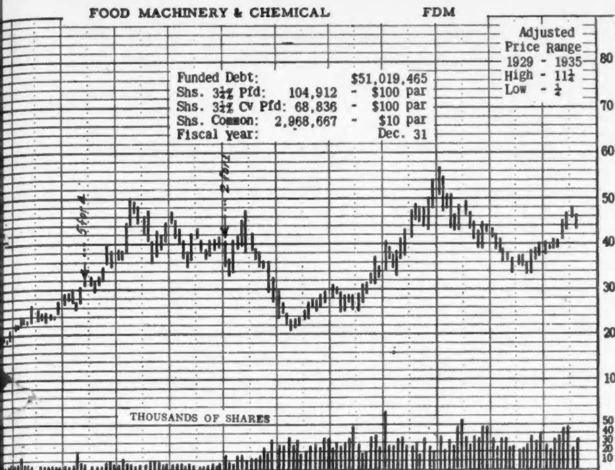
OUTLOOK: In comparison with other growth stocks currently selling on a 15 to 25-times-earnings-basis, Combustion Engineering's common shares—its sole stock issue—at present market price, appears attractive as a long-range purchase. Although the company and its subsidiaries, which conduct a world-wide business, produce a variety of industrial products, its steam generating facilities definitely link it with the fast-expanding electric utility field, while demand for processing and other heavy equipment for new and modernized industrial plants creates another important market for several years ahead if manufacturers in various basic industries are to keep pace with economic growth as is now indicated. Last year, the company had net sales of more than $170 million from which it realized net income, after paying income taxes including the equivalent of 88 cents a share in EPT, of $7.3 million, equal to $7.25 a share for its capital stock. Including the shares issued in payment of the 5% stock dividend distributed last January, there are 1,016,818 shares currently outstanding. On the basis of 1954 first half earnings, amounting of $2.81 a share which were under the $3.79 a share realized in the first half of last year, it is not likely that 1954 net earnings will match those of 1953, but this dip does not necessarily indicate a trend inasmuch as the improvement in the second quarter over first quarter earnings is expected to carry through the remainder of the year with net for the full 12 months amounting to a little more than $6 a share. The company closed 1953 with unfilled orders of $170 million. Bookings of new business, after a first quarter lull, is understood to have turned upward and this uptrend is expected to continue over the next several years.

DIVIDENDS: Payments of $3 annually have been in effect since 1952. It is possible that the 5% stock dividend paid last January may be duplicated at this year-end.

MARKET ACTION: Recent price of 52, compares with a 1953-54 price range of High—58, Low—38½. At current price, the yield, exclusive of stock dividend, is 5.7%.

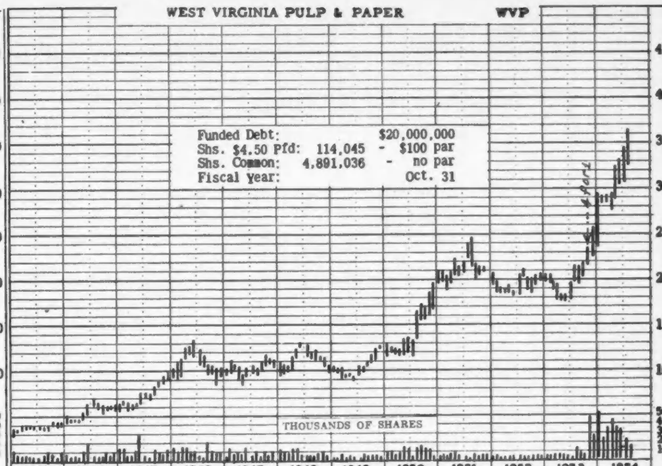
COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 om'tted)	Change
ASSETS			
Cash & Marketable Securities	$ 7,701	$ 15,694	+$ 7,993
Receivables, Net	1,704	36,090	+ 34,386
Inventories	2,422	18,376	+ 15,954
Contract Expenditures		16,180	+ 16,180
TOTAL CURRENT ASSETS	11,827	86,340	+ 74,513
Net Property	1,674	21,049	+ 19,375
Investments	6,166	1,110	— 5,056
Other Assets	696	956	+ 260
TOTAL ASSETS	$ 20,363	$109,455	+$ 89,092
LIABILITIES			
Bank Loans		$ 6,500	+$ 6,500
Accounts Payable	$ 738	7,297	+ 6,559
Accruals	1,453	16,390	+ 14,937
Accrued Taxes	3,155	9,603	+ 6,448
TOTAL CURRENT LIABILITIES	5,346	39,790	+ 34,444
Other Liabilities		1,686	+ 1,686
Reserves	1,250		— 1,250
Long Term Bank Loans		9,000	+ 9,000
Capital Stock	5,137	9,684	+ 4,547
Surplus	8,630	49,295	+ 40,665
TOTAL LIABILITIES	$ 20,363	$109,455	+$ 89,092
WORKING CAPITAL	$ 6,481	$ 46,550	+$ 40,069
CURRENT RATIO	2.2	2.1	— .1



1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
3.48	3.36	3.21	4.48	2.34	1.73	3.34	4.01	3.41	3.66	E2.75	EARN.
.70	.88	.90	1.00	1.50	*1.00	1.12½	1.25	2.00	2.00		DIV.
17.5	22.5	21.9	37.8	48.2	50.0	49.1	69.1	79.9	76.3	Wkg Cap $ Mil	

*Plus Stock E Estimated Earnings



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
.47	.45	.41	1.23	2.85	2.83	2.33	3.23	2.70	2.47	2.83	*1.79	EARN.
.31¼	.25	.25	.60	.75	1.00	.75	1.25	1.00	1.00	1.00		DIV.
20.6	15.1	15.3	19.8	23.6	24.8	28.2	32.2	43.6	36.8	53.1	Wkg Cap $ Mil	

*9 months

FOOD MACHINERY & CHEMICAL CORP.

BUSINESS: Through research, engineering developments and acquisitions this company has achieved broad diversification in both the machinery and chemical fields. Its machinery division, a leader in food processing and packaging equipment, produces a wide range of agricultural and gardening equipment, irrigation and other types of pumps, and water systems. Its expanding chemical division produces a wide variety of chemicals for agriculture and various industries.

OUTLOOK: The company's record over the last quarter of a century, and particularly in the postwar years has been one of steady growth. Since 1949 to the end of 1953 its sales of chemical and machinery products, plus rental revenue from machinery and processes leases have increased by roughly 104.6 per cent, or from $86.3 million in 1949 to $176.9 million in 1953. The company has also been doing a comparatively large volume of defense work which added $52.1 million to 1953 sales volume, increasing the year's total to $229 million. Although military business was $9.8 million under the previous year's total, net earnings for 1953 were at a record high and equal to $3.66 a share for common stock. It is expected that this figure will be duplicated by 1954 earnings. This may prove a conservative estimate as it does not take into consideration earnings of the newly acquired pesticide plant which strengthens the company's existing products line in that field, nor the results to be realized from the acquisition last August of the Chicago Pump Corp., recognized as a leading producer of patented sewage treatment and disposal equipment. Neither does it give weight to the company's accelerated program of research and development of new equipment and chemicals which will be added to its lines in 1954. By next year, the Chemical Division will have a new anhydrous ammonia plant in operation with a designed capacity of 60 tons a day. Meanwhile, the company is extending its operations in foreign countries and at the same time envisioning a greatly strengthened position in current lines and extending its interests into other chemical fields.

DIVIDENDS: Payments on the common stock have been made without interruption since 1935. The stock was split two-for-one in 1947. Current rate of dividend is 50 cents quarterly.

MARKET ACTION: Recent price of 45, compares with a 1953-54 price range of High—48, Low—33¼. At current price, the yield is 4.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 4,934	$ 19,276	+$ 14,342
Receivables, Net	27,813	38,629	+ 10,816
Inventories	12,105	60,630	+ 48,525
Other Current Assets	1,346	2,290	+ 944
TOTAL CURRENT ASSETS	46,198	120,825	+ 74,627
Net Property	4,887	90,316	+ 85,429
Intangibles	....	9,645	+ 9,645
Investments	602	1,001	+ 399
Other Assets	520	897	+ 377
TOTAL ASSETS	$ 52,207	$222,684	+$170,477
LIABILITIES			
Notes Payable		$ 10,000	+$ 10,000
Accounts Payable	$ 5,811	13,934	+ 8,123
Tax Reserve	2,932	15,130	+ 12,198
Accruals	1,190	5,462	+ 4,272
Prov. for Renegotiation	13,711		— 13,711
TOTAL CURRENT LIABILITIES	23,644	44,526	+ 20,882
Other Liabilities	113	3,927	+ 3,814
Reserves	3,132	1,385	— 1,747
Long Term Debt	....	48,319	+ 48,319
Preferred Stock	....	16,798	+ 16,798
Common Stock	6,688	29,899	+ 23,211
Surplus	18,630	77,830	+ 59,200
TOTAL LIABILITIES	$ 52,207	$222,684	+$170,477
WORKING CAPITAL	$ 22,554	$ 76,299	+$ 53,745
CURRENT RATIO	1.9	2.7	+ .8

WEST VIRGINIA PULP & PAPER COMPANY

BUSINESS: One of the largest domestic producers of fine white printing papers, white converting grades, container board, and kraft papers. Through acquisition late in 1953 of the Hinde & Dauch Paper Co., and its Canadian subsidiary, it is also one of the leading producers of corrugated shipping cartons. Operations also include production of wood chemicals, the company being the world's largest producer of activated carbon.

OUTLOOK: A 10-year comparison of net sales of West Virginia Pulp & Paper, exclusive of those of Hinde & Dauch, its recently acquired subsidiary, shows an almost steady uptrend from $59 million in 1944 to a 1953 record high of $117.6 million, a gain of 99.31%, while net earnings, allowing for peaks and valleys, have risen from 45 cents a share in 1944 to a 1953 rate of $2.83 a rate, after adjustment for the 4-for-1 split last year. The uptrend in sales continued through the nine months to July 31, 1954, reaching $122.6 million as compared with $120.5 million a year ago, including Hinde & Dauch figures for both periods. Higher costs, including increased depreciation, depletion and amortization, however, held net to $1.79 a share against $1.93 in the preceding nine months' period. Accounting for the comparatively steady growth has been the company success in achieving product diversification, giving it better balance and greater efficiency in its manufacturing operations. Considerable concentration is on technological research dealing with all phases of pulp and paper making, leading to improved as well as new products to meet tomorrow's demands of the printing trades, packagers of milk, frozen foods and other users of sanitary containers, and the expanding use of containerboard and kraft papers. The company is also active in chemical research, its objective being greater economic recovery and profitable utilization of chemicals resulting from the pulp and paper making processes. As a result of the progress in this field, it has expanded its carbon plant, increased output of tall oil used in the making of paint, soap and floor coverings, and has created The Polychemicals Division to broaden commercialization of lignin products.

DIVIDENDS: Since the four-for-one stock split, dividends on the common stock have been maintained at the rate of 35 cents a share quarterly.

MARKET ACTION: Recent price of 33, compares with a 1953-54 price range of High—36¼, Low—17¼. At current price, the yield is 4.2%.

COMPARATIVE BALANCE SHEET ITEMS

	Oct. 31 1944	July 31 1954 (000 omitted)	Change
ASSETS			
Cash	$ 6,618	$ 19,128	+$ 12,510
Marketable Securities	231	27,450	+ 27,219
Receivables, Net	4,716	8,601	+ 3,885
Inventories	6,761	15,034	+ 8,273
Other Current Assets	470	......	— 470
TOTAL CURRENT ASSETS	18,796	70,213	+ 51,417
Net Property	29,665	95,857	+ 66,192
Investments	8,157	4,316	— 3,741
Other Assets	2,726	1,215	— 1,511
TOTAL ASSETS	$ 59,344	$171,601	+$112,257
LIABILITIES			
Accounts Pay. & Accruals	$ 1,937	$ 6,405	+$ 4,468
Tax Reserve	1,723	10,641	+ 8,918
TOTAL CURRENT LIABILITIES	3,660	17,046	+ 13,386
Reserves	890	......	— 890
Long Term Debt	......	20,000	+ 20,000
Preferred Stock	15,583	11,266	— 4,317
Common Stock	28,619	73,265	+ 44,646
Surplus	10,592	50,024	+ 39,432
TOTAL LIABILITIES	$ 59,344	$171,601	+$112,257
WORKING CAPITAL	$ 15,136	$ 53,167	+$ 38,021
CURRENT RATIO	5.0	4.1	— .9

Scene from 20th Century-Fox's "The Egyptian"

How Real is Recovery in Movies?

By PHILLIP DOBBS

"I've got a beautiful feeling everyting's going my way". That's a line from one of the numbers in "Oklahoma" the smash musical hit that had such a long run on the legitimate stage several years ago and which soon is to be released as a motion picture. That number might well be the current theme song of the motion picture industry.

Its been a long time since the motion picture producers had any reason to feel so optimistic over their outlook as they do now. The present situation represents quite a reversal from the "blues" so dominant in '51 and '52 when the dearth of movie theatre audiences was forcing neighborhood motion picture houses to turn out the lights and close their doors. At the time, TV was regarded as the vampire that was draining the blood out of the industry. That may have been true to some extent. Television programs in many homes were a novelty, but not to such an extent that people would not forego TV for an opportunity to get out of the house on occasion if the local movie house had something to offer in the way of a picture different from the hackneyed, run-of-the-mill offerings built on fantastic plots, depicting in some instances, the virtuous working girl wearing mink and living in a penthouse.

It may have been that World War II roused the movie going public to life's realisms and the fact that it was satiated with the heavily saccharine-coated fare the moving picture industry was feeding it. The tip-off to this condition was the tremendous success of the Italian film, "The Bicycle Thief", a down-to-earth production based on a story needing no lavish and expensive sets, multi-millionaire's country clubs, nor sumptuously furnished Park Avenue or Beverley Hills apartments. The weakness of the motion picture industry was that it was spending too much money on productions that had no lure for the public. Since most of the companies in the industry have come around to recognizing this fact, conditions have begun to change for the better. To begin with, practically all of them have put their own houses in order, getting rid of deadwood, effecting other economies and at the same time putting out productions the public will pay to see.

For instance, *20th Century-Fox's* "The Robe", based on the Lloyd Douglas book, grossed approximately $20 million during its first showing in the nation's movie houses, and is understood to have pulled in close to $15 million so far in foreign countries. "From Here to Eternity", a Columbia Pictures

Corp., production which opened at New York's Capitol Theatre broke every record in the 34-year history of that big Broadway house and was received with equal enthusiasm by movie-goers across the country. Columbia Pictures is confident that this production, having already grossed about $17 million in the U. S., and abroad, will gross more than any other picture in the company's history. This reckoning, however, may be off somewhat. "The Caine Mutiny", another Columbia Picture's production, now in its 13th week on Broadway, gives indication of being a bigger money-maker than "From Here to Eternity". Meanwhile, Columbia's "On the Waterfront" has also been received with great enthusiasm throughout the U. S.

Neither 20th Centry-Fox nor Columbia Pictures, however, have a monopoly on good pictures. Metro-Goldwyn-Mayer's "Lili" has played to an audience of one million in one New York movie house alone since it began its run there 80 weeks ago. Another big hit has been M-G-M's "Seven Brides for Seven Brothers" which in its first week at Radio City's Music Hall established a record in box office net receipts for the 21 years of that theatre's operations. "The Glenn Miller Story", Universal Pictures' production, has also been a record-maker, and Paramount Pictures with such recent successes as "Roman Holiday" and "Stalag 17" confidently expects "Sabrina" to reach record heights in box office receipts.

While better pictures have been attracting larger movie theatre audiences, new techniques in processing and exhibiting productions, together with innovations in sound projection have been a big factor in arousing public interest in movie offerings, creating longer queues at box office windows. The outstanding development along these lines has been 20th Centry-Fox's CinemaScope which has been adopted for a number of productions by Metro-Goldwyn-Mayer, Warner Bros., Columbia Pictures, Walt Disney, and Universal-International, as well as a number of independent producers.

With better pictures being produced and improved techniques of projection and sound, the motion picture industry appears to have taken itself out of competition with television receiving sets. The only bug-hear that may develop for the motion picture producers and the exhibitors is the possible reaction of the public to color television. Again as when black and white sets got down in price where the average American family could install a receiving set that proved such a novelty, color TV sets selling within purse reach of millions of persons may thin out motion picture theatre audiences, for a while at least. If and when this happens, however, the motion picture industry, having learned a lesson with the advent of black and white TV, should be in a position to hold its own. It has already laid a firm foundation on which to act because of the general economies it has achieved, the better stories it is filming, and the much more entertaining method of projecting through CinemaScope, which through constant research promises to become an even better technique and which may be augmented by other new projecting and sound developments. In the meanwhile, the film industry which has been attracting an audience of approximately 55 million persons a week with top pictures grossing more money in the world market than ever before, must be considered a virile industry possessing new growth potentials, aided by the increasing popularity of drive-in theatres that are steadily growing in number.

Individual Company Trends

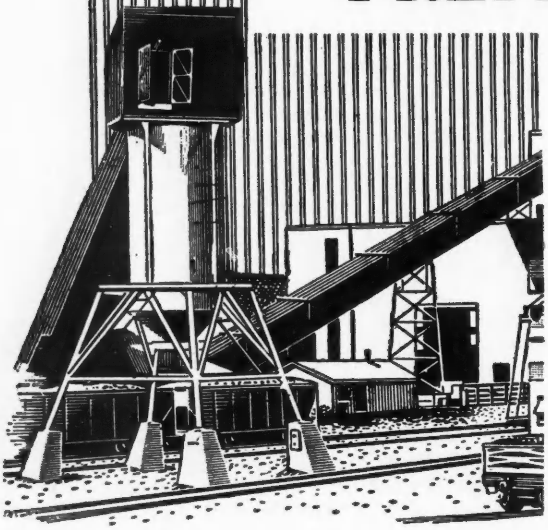
This is borne out by the earnings uptrend reported by the leading producers during recent months, reflecting what can well be regarded as a new era for both the moving picture theatre owners and the film producers. The degree of success that may be realized by individual companies, however, depends upon the choice of stories to be filmed and the timing of releases. *Columbia Pictures*, for instance, which had two poor fiscal years up to June 30, 1953, largely because of bad timing, got off to an exceptionally good start in its 1953-54 with its release of "From Here to Eternity", aided by "It Should Happen to You" with Judy Hollliday, and "Miss Sadie Thompson", starring Rita Hayworth and Jose Ferrer. As a result, earnings for the 39 weeks to March 27, 1954, in comparison with the comparable period last year, literally soared from $310,000, or 15 cents a share for the common stock, to $2,664,000, or $3.26 a share. It will probably be another month and a half before figures for the full fiscal year are available, but it seems reasonable to believe that net profits for the remaining 13 weeks of the 12 months' period will be more (*Please turn to page* 44)

Statistical Data on Leading Motion Picture Companies

	1952		1953		1st Half 1954				
	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	Earnings Per Share	Indicated Full-Year Div.	Price Range 1952 to Date	Recent Price	Indicated Yield
Columbia Pictures	$ .80	$ .25	$ .99	$ .25[6]	$3.26[1]	[6]$ .25[7]	32⅜-10⅞	31	.8%
Loew's*	.91	.97½	.85	.80	.87[2]	.90	19⅛-10⅝	18	5.0
Paramount Pictures	2.52	2.00	3.06	2.00	1.79	2.00	35⅞-21¼	35	5.7
RKO Pictures	(d)2.60	......	(d) .95	......	n.a.	......	7 - 2¾	6	....
Republic Pictures	.20	......	.15	......	.15[3]	......	5⅞- 2¾	5	....
Technicolor	1.10	1.00	1.23	1.10	.32	1.10	17¼-10	13	8.4
Twentieth Cent.-Fox Film	1.18	.50	1.65	1.00	1.17	1.50	28⅞-10½	28	5.3
Universal Pictures	2.15	1.00	2.35	1.25	2.49[8]	1.25	29⅝-11	28	4.4
Warner Bros. Pictures	2.86[4]	......	1.18[4]	.90	1.03[5]	.90[7]	20⅛-11⅛	20	4.5

(d)—Deficit. n.a.—Not available.
1—39 weeks ended March 27, 1954.
2—40 weeks ended June 10, 1954.
3—26 weeks ended May 1, 1954.
4—Pro-forma.
5—9 months ended May 29, 1954.
6—Plus stock.
7—Paid thus far in 1954.
8—39 weeks ended July 31, 1954.
*—Note: Separation of motion picture activities and theatre operations effective 9/1/54; Loew's Theatre stock distribution after present funded debt adjustment.

NEW TREND IN PREFERRED STOCK REDEMPTIONS



By JOHN D. C. WELDON

Within recent months several outstanding companies have made substantial alterations in their capital structures by calling in their preferred stocks for redemption.

One of the latest moves along this line is that made by Goodyear Tire & Rubber Co., which redeemed its entire issue of 564,649 shares of $5 preferred at 105 on September 30, last. Just prior to this action by Goodyear, Federated Department Stores wiped out its entire outstanding issue of 98,237 shares of $4.25 preferred by redemption on September 8, at 104. Earlier in the year, Spencer Chemical Co., called for redemption its outstanding $2.25 second convertible preferred at $51.50 a share, holders, of course, having the right to accept the redemption price or surrender their shares for an equal amount of common stock in accordance with the conversion clause.

There have been other companies following this course. Beneficial Loan Corp., for instance, set August 16, last, as the date of redemption or conversion of its $3.25 preferred stock at 105 a share. The Froedtert Corp., retired by redemption on September 27, this year, its entire outstanding issue of $2.20 preferred at $52.50 a share. Now, Spencer Chemical plans to retire at $102.50 a share its outstanding issue of $4.60 preferred stock.

A New Trend

There is reason to believe preferred stock redemption calls that have gone out so far during the current year indicate a trend which may broaden to encompass a good many more preferred stock issues. Several reasons can be advanced in support of this belief. One is the current market for money in which there is virtually a plethora of available funds which accredited borrowers can secure at rates of interests considerably below, in most cases, the dividend rates on their preferred stocks. Another is that some companies experiencing good earnings throughout the postwar era have piled up substantial sums which can be employed to the advantage of common share owners by wiping out senior stock issues. Goodyear Tire & Rubber had this in mind when it decided to draw upon working funds to redeem the entire issue of preferred stock which had been outstanding since 1936.

Federated Department Stores, as soon as it became evident that cash demands for the business would not go as high as had been previously estimated, decided to use a portion of available funds for the redemption of the entire outstanding issue of preferred stock which also was created in 1936. Purchasers of this issue at the original offering price of 104, or those *(Please turn to page 47)*

Non-Convertible Preferred Stocks Selling at or Above Call Price

Name	Div. Rate	Callable at	Recent Price	Yield
Caterpillar Tractor	$ 4.20	$102½	104½	4.0%
Central Illinois Light	4.50	110	110	4.0
Champion Paper & Fibre	4.50	106	107	4.2
Cleveland Electric Illum.	4.50	107	110	4.0
Container Corp. of Amer.	4.00	101½	104	3.8
Crown Zellerbach	4.20	102½	104½	4.0
Diamond Match	1.50	34	35	4.2
Dow Chemical	4.00	107	107½	3.7
Firestone Tire & Rubber	4.50	105	107	4.2
General Mills	5.00	120	121½	4.1
General Motors	5.00	120	126	3.9
Hercules Powder	5.00	120	124½	4.0
International Nickel	7.00	120	138	5.0
Murphy (G. C.) Co.	4.75	105	109	4.3
Pure Oil	5.00	105	108½	4.6
United Aircraft	5.00	102½	106½	4.6

Preferred Stocks Suggested for Re-Investment

Name	Div. Rate	Callable at	Recent Price	Yield
American Metal	$ 4.50	$105	105	4.2%
Continental Can	3.75	110	98	3.8
International Paper	4.00	112½	106	3.7
Radio Corp. if America	3.50	100	84	4.1
U. S. Rubber	8.00	n.c.	155	5.1

2 INVESTMENT TRUSTS COMPARED

The Lehman Corp.
Tri-Continental Corp.

By ALLEN DARLEN

Proposed addition to N. Y. Stock Exchange

The operations of investment companies are always of considerable importance, and more so at the present time in view of the heights the securities market has scaled during the past year. In the following, we present some pertinent and interesting facts on two of the largest closed-end investment trusts. The stocks of both companies are listed on the New York Stock Exchange.

The Lehman Corporation

This closed-end investment company, now in its 26th year, from the time of its creation in September, 1929, has made equity securities its primary field of investment. Moreover, its investment policy has been flexible, permitting free action as to markets and the relative desirability of various types of securities as investment media when frequently changing conditions made such action advisable. In pursuance of these policies it has generally held a widely diversified portfolio of common stocks, together with some preferred stocks and bonds, and at times substantial amounts of cash and short-term U. S. Government bonds, when it was deemed prudent to do so.

As of June 30, 1953, for instance, the corporation was carrying $17 million in U. S. Government obligations, but this was reduced as of June 30, this year, to $9.7 million, while common stock investments increased to 92.1 per cent of net asset value. This latter figure compares with 86.5 per cent in common stocks at the close of the 1953 fiscal year. The portfolio as of June 30, 1954, held but a comparatively small amount of funds in bonds and preferred stocks, the sum total amounting to only $5.4 million based on then current market values. The common stock portfolio represented a cross section of American industry, including banking, insurance, public utilities, oil and gas, foods and beverages, chemicals, pharmaceuticals, and a long list of common stocks of companies in various manufacturing and miscellaneous fields.

At the end of June, 1954, the corporation's assets, including cash, receivables and securities taken at market quotations, together with $2.2 million in other assets appraised at fair value, totaled (*Please turn to page* 55)

Earnings Statistics on Two Investment Companies

	Lehman Corp. 1953*	Lehman Corp. 1954*	Tri-Continental Corp. 1952†	Tri-Continental Corp. 1953†	Tri-Continental Corp. 1st 6 Mos. 1954
Net Per Share — Ordinary Income	$ .98	$ 1.00	$ 1.05	$ 1.11	$ .47
Net Per Share — Net Realized Profits	1.04	1.25	1.52	1.49	.49[1]
Total	$ 2.02	$ 2.25	$ 2.57	$ 2.60	$ .96
Total Dividend Per Share	$ 2.02*	$ 2.25*	$ 1.11	$ 1.04	$ .69[3]
Price Range	40½-31¼	40⅝-34[2]	17⅞-13½	17⅞-13⅜	23⅜-15⅜[2]
Recent Price		40			22

*—Year ended June 30.
†—Year ended December 31.

1—Estimated.
2—1954 to-date.
3—Paid to October 1, 1954.

FOR PROFIT AND INCOME

Speedy

At least in terms of the Dow industrial average, it took very little time for the bull market to be resumed, following about a 15-point reaction, largest in many months, in the seven trading sessions August 23-31, inclusive. The loss was more than made up, within 11 subsequent trading sessions, before the close of September 14; and at this writing the average has bettered its August 20 high by nearly five points. Rails and utilities remain under their August tops, with rails not even close so far. However, there is no question of "confirmation" involved. As a result of recent performance, the late August downswing goes into the records merely as a reaction in an unfinished bull market. It would make no difference in this technical interpretation even if rails should continue to lag.

Stock Groups

Among the stock groups reflecting above-average demand recently and up to this writing are amusements, communications, construction, containers, food brands, liquor, metals, machinery, oils, paper and tires.

Stocks

Among stocks of medium to good grade, those showing special strength at this writing include General Motors, Goodyear Tire, Best Foods, Colgate-Palmolive, Commercial Credit, Corn Products, Federated Department Stores, Gillette, Halliburton, Norwich Pharmacal, Phelps Dodge, Shell Oil, Standard Oil of California, Standard Oil (New Jersey), Sinclair Oil, Texas Company, Pittsburgh Plate Glass, Armstrong Cork and Rayonier.

Speculative

Among more speculative issues currently in demand are American Encaustic Tiling, Barker Bros., Byers, Capital Airlines, Chicago Great Western, Colorado Fuel & Iron, Hayes Industries, Magnovox, Omnibus, Tung-Sol Electric, Warner Bros., ACF Industries, Magma Copper, Daystrom, American Metal, National Theatres, Columbia Pictures, Consolidated Laundries, Munsingwear, Pittston and Twentieth Century-Fox.

Movers

The following stocks appear to have possibilities of moving up more from this level than the general market: Baltimore & Ohio, U. S. Steel, Sinclair Oil, Flintkote, Reynolds Metals, Chrysler, Briggs & Stratton, Cornell Dubilier, General Bronze, Zenith Radio, National Distillers, Southern Railway, Wheeling Steel.

Farm Equipments

Despite a substantial recovery from lows reached about a year ago, the farm equipment stocks as a group remain well under highs reached in 1951, and have performed worse than the industrial list for more than three and a half years. Their behavior has been in line with the decline in farm income and with shrinkage in earnings of most companies in this field. However, the worst may have been seen. On the political side, the Adminstration has already reversed itself on control of what farmers can plant on

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Caterpillar Tractor	7 mos. July 31	$3.41	$3.19
Tennessee Corp.	6 mos. June 30	4.10	2.27
Union Elec. Co. (Mo.)	Quar. June 30	.35	.29
N. Y. City Omnibus Corp.	6 mos. June 30	1.45	.31
Intl. Nickel of Canada	Quar. June 30	1.10	.90
Pet Milk Co.	Quar. June 30	2.26	1.23
Amer. Agricultural Chem.	Year June 30	7.27	6.45
Eastman Kodak Co.	24 weeks June 13	1.60	1.28
Goodrich (B. F.) Co.	6 mos. June 30	4.33	4.03
Transamerica Corp.	6 mos. June 30	1.64	1.35

acreage diverted from price-supported crops. If the Democrats win control of one or both branches of Congress in the November elections—they seem more than likely to become the majority party at least in the House—farm-equipment stocks could well attract increased investment and speculative demand on the reasoning that, regardless of indefensible expense to taxpayers, Federal support of farm income will be stepped up in due time. The best stocks are Allis-Chalmers, whose business is around 60% in farm equipment, International Harvester with less than a third farm-equipment content and Deere, whose fortunes are almost entirely tied up with farm equipment and fertilizer. Oliver Corp. and Case are highly speculative, but might for a time rally more percentagewise than the leaders.

Air Lines

Following an extended period when they lagged behind the market, the technical action of air transport stocks implies that they might go higher. On the other hand, the trend of earnings does not provide support even for the rise the group has already had. Despite further growth of traffic and revenue, profits have been sagging for some time, and will average lower this year than last, due to higher costs. There is probably a period of better earnings ahead on the following projection: (1) Additional rise in traffic; (2) cessation of expansion of fleets of present type planes, resulting in fewer vacant seats per flight; and (3) decline in present heavy annual depreciation charges stemming from huge additions to fleets in recent years, with the planes generally written off on a five-year basis. American Airlines could fare moderately better in 1955, since it will be the first of the major systems to turn the corner on depreciation charges. For most others, the latter will be still higher next year, levelling off or moving down in 1956 or 1957. That is looking a long way ahead. Still further ahead is the expected shift to jet transports, involving a host of problems and a renewal of large capital outlays. The bulls on air line stocks are betting on perhaps several years of better earnings after depreciation costs on present planes are reduced significantly and before the shift to jets begins. We think that less risky speculations, requiring guess-estimates over much shorter forward periods, can be found elsewhere.

Depressed

Along with textile stocks generally, Celanese is drastically deflated, having declined from 58¼ in 1951 to a low of 16¼ earlier this year. Earnings fell from $6.39 a share in 1950 to 77 cents in 1952, rising to $1.01 last year. Earnings fell from $6.39 a share in 1950 to 77 cents in 1952, rising to $1.01 last year. The company lost money in the 1954 first half, but some second-half improvement is expected. The dividend, which had been pared from $3 in 1951 to $1.25 in 1953, was cut further to a 50-cent annual basis late late May. The stock held above its low on that news and has since worked higher. It is currently at 20. There should be at least some betterment ahead in the company's depressed business in acetate cellulose yarns and fibers; and there is longer-range promise in its chemical and plastics divisions, as well as possibilities for gain in foreign ventures. However, the speculative "kicker" in this situation are possibilities in the company's new X-100 synthetic fiber, claimed to be commercially economical and superior in some respects to other synthetics. The stock could be subject to a worthwhile percentage rise over a period of time—just when is not predictable — and meanwhile the risk factor in so deflated an issue woul dnot appear to be great.

Growth

If you wait long enough, population growth can lift the sales and earnings of most companies, other things being equal—that is, if the company does not retrogress in competitive position for one reason or another. As a matter of fact, population trends can have no little significance for some companies and require less time to do so than you might imagine. For instance, there has been a boom in babies in recent years. That means a growth in the population of children in the age group 10 to 19 about three and a half times larger than the 7% gain in total population forecast over the six year period 1955-1960. Some obvious beneficiaries are chewing gum makers (American Chicle and Wrigley); makers of soft drinks (Coca-Cola, Pepsi-Cola, Nehi and others); the dairy products companies (National, Borden and Beatrice Foods); and leading bakers of crackers and cookies (National Biscuit and Sunshine Biscuits).

Volume Leaders

In the week prior to this writing the two most active stocks were, in order, Pennsylvania Railroad and U. S. Steel. Pennsy lost 30 cents a share in seven months through July, against a profit of $1.69 a share in the like 1953 period. Activity and strength in the stock, currently up to 18 after a long period of "playing dead" between 17 and 16, is due to rumors that an unnamed group is seeking to get control of the road in a proxy fight, culminating at the annual meeting next May. Two things should be noted; (1) Assuming the rumor is correct, it would probably be harder to unseat the Pennsy management than was so in the successful proxy fight for control of New Haven and New York Central. (2) The promises of would-be new management usually exceed what can be delivered; and, in any event, any major improvement in results from a new railroad management take an extended time to work out. Here is

(*Please turn to page* 56)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

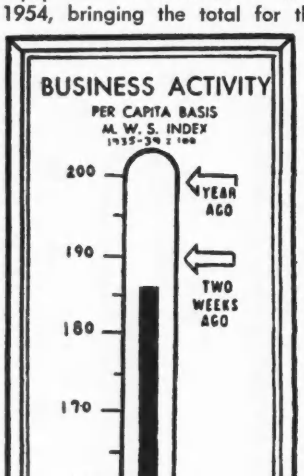
		1954	1953
Celanese Corp. of Amer.	Quar. June 30	$ .01	$ .44
Neisner Brothers, Inc.	6 mos. June 30	.21	.56
Minneapolis-Moline Co.	Quar. July 31	.15	.55
N. Y., Chic & St. Louis R. R.	7 mos. July 31	2.77	4.59
Raybestos-Manhattan	6 mos. June 30	1.94	2.79
Admiral Corp.	Quar. June 30	.45	.72
Greyhound Corp. Sys.	6 mos. June 30	.35	.48
American Viscose	Quar. June 30	.37	1.01
Amer. Chain & Cable	6 mos. June 30	1.55	2.46
Melville Shoe Corp.	6 mos. June 30	.91	1.02

The Business Analyst

What's Ahead for Business?

By E. K. A.

Business men and investors appear to be considerably concerned over the recent SEC-Commerce Department findings on capital expenditures for this year, forecasting a lower total than anticipated several months ago. As things stand now, it looks as if capital spending for new plant and equipment will continue to decline in the last quarter of 1954, bringing the total for the year to $26.7 billion as compared with last year's total of $28.4 billion.



Actually, of course, there is no reason for dismay over the 1954 estimate, even though it is a little short of the $27.2 billion figure indicated by the annual survey early this year. Capital spending this year will be only 6 percent under last year's record high total and the second largest on record, slightly exceeding the 1952 figure of $26.5 billion.

Judged by any standards, this is a lot of money for business to be putting into capital goods, particularly in the light of present domestic and international uncertainties. It betokens a much higher degree of faith in the future on the part of business than is possessed by so many who are critical of the Administration and the current state of affairs.

The projected downtrend in spending into the fourth quarter, in the face of general expectations of something better than seasonal improvement in business this Fall, is a little disconcerting but not particularly so. On an annual basis, adjusted for seasonal variation, capital spending in the fourth quarter of this year is projected at a rate of $26.0 billion as against $27.5 billion in the first quarter and the all-time high of $28.9 billion in the third quarter of 1953.

Public concern over the downtrend in capital expenditures throughout 1954, and the prospect for further contraction in 1955 if the trend continues in the same direction, is based to a considerable extent on the belief that capital spending sets the pace for business activity in general. Modern economic thought, based on statistical "tools" not available a generation ago, does not give much weight to this belief.

Now that gross national product data are available, it is apparent that the capital spending-business trend theory was pretty much a case of the tail wagging the dog. With a gross national product in the vicinity of $360 billion, it is obvious that a shift of a few percent in capital spending—in itself equal to less than 8 percent of the gross national product—cannot have much effect on the GNP total. Changes in other components of GNP can and have offset changes in capital expenditures. More generally accepted today among economists is the belief that capital spending tends to reflect the course of general business activity rather than the other way around.

Most large industrial organizations have adopted definite expansion programs for the next 10 to 20 years and, in some cases, for an even longer period. These programs are projected on an annual basis, practically without regard to the ups and downs in trends in business activity, costs, and other factors. There has been, insofar as can be ascertained, little or no contraction this year in the implementation of these programs. In fact, some instances of acceleration have been reported as a result of governmental encouragement via more generous depreciation allowances.

Smaller business organizations, usually less well financed, show a tendency to postpone or cancel expansion programs when new orders slow down. This is only natural. Analysis by industry of capital expansion data shows that some industries are stepping up their spending while others are slowing down. Knowing what we do of population and consumption trends, it is apparent that these slowdowns are only temporary and that the long term trend of capital expenditures still is upwards.

The Business Analyst

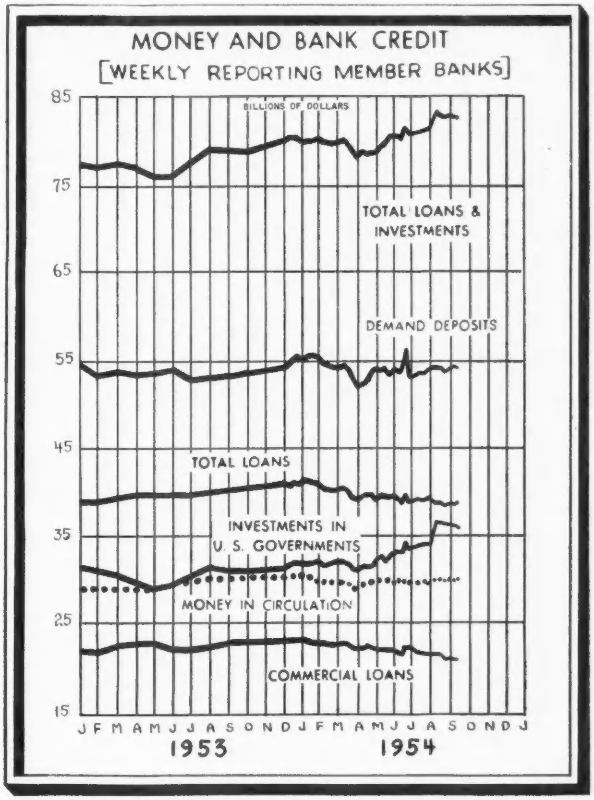
HIGHLIGHTS

MONEY & CREDIT—The Treasury has joined the borrowing ranks in a big way with its September 23 offering of short-term 1⅝% notes maturing in 2 years-seven months. With Federal expenditures from July 1 to mid-September, exceeding receipts by $5.2 billion and further red ink figures due for the remainder of this year, the Treasury acted promptly to assure itself of adequate funds to pay its bills. After looking at the long list of prospective offerings by corporations, states and local governments, Secretary Humphrey decided that a short-term issue was de rigeur if interference with other borrowers was to be kept to a minimum. By offering a note maturing in 1957 our monetary authorities can be sure of good bank demand for the issue and the Federal Reserve will be able to augment available funds by buying bills in the open market. In this way the Government will get its money without any trouble, but the inflationary implications of the move are there for all to see.

Also containing some inflationary portent are the latest Treasury estimates of Federal income and outgo for the 1955 fiscal year. It now appears that the Government will have a budget deficit of $4.7 billion and a cash deficit of some $2.0 billion in the year ending June 30, 1955, which compares with previous expectations of a $115 million cash surplus. The worsening of the budget position is the result of bigger outlays for Social Security and unemployment insurance and an anticipated drop in revenues exceeding cuts in over-all spending.

The week ending September 25 is setting some sort of a borrowing record. Aside from the big Treasury financing, massive corporate, state and municipal loans are being floated. Heading the list is the $250 million American Telephone & Telegraph debenture issue, biggest loan ever to be offered at competitive bidding, plus an additional $100 million of corporates being sold the same week. In the tax-exempt field, investors are being called upon to absorb $235 million of offerings with the $160 million Kansas Turnpike bond accounting for the bulk of activity.

This flood of new issues has not fazed buyers who are well-heeled with cash seeking investment, and as a result the bond market has given a good account of itself. Long-term Treasuries have lost only ⅛-¼ point from the end of August through September 20 and best-grade corporates have shown very little change during the period. It was only in the tax-exempt field that retreat was noted and this came after the September 14 offering of $136 million of Public Housing Authority bonds. Hitting a market that was already overloaded with heavy dealer inventories of tax-exempt securities, the oversupply made for general price concessions and average yields rose about 4 basis points before a support area was reached.



TRADE—Retail sales in August, on a seasonally adjusted basis, were 1% under July but a similar amount ahead of a year ago, according to preliminary estimates by the Commerce Department. Reports for the first two weeks of September promise a continuation of good demand according to data from Dun & Bradstreet. In the week ending Wednesday, September 8, sales were about 7% ahead of a year ago. The following week was beset by hurricanes along the East Coast and heat waves in parts of the South and West. As a result, dollar volume was lower but the dip was only 4%. On the Pacific Coast where normal weather prevailed, sales in the latest week were about 4% ahead of a year ago.

INDUSTRY—Industrial output had a seasonal recovery in August and the Federal Reserve Board's adjusted index of output remained unchanged at 124% of the 1947-1949 average. Output of manufactured goods was 1% above the July figures but production of minerals fell by a similar amount. Production of household durables improved as the result of higher output of furniture and television sets while auto assemblies fell further in August and the first half of September as the result of preparations for model changeovers. Output of building materials remained high. Steel production moved up to 66% of capacity in mid-September from a 63% average in July and August.

COMMODITIES—The Labor Department's sensitive index of 28 leading commodities dropped a small 0.3% in the two

(Continued on following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Aug.	3.2	2.9	3.8	1.6
Cumulative from mid-1940	Aug.	561.0	557.8	514.0	13.8
FEDERAL GROSS DEBT—$b	Sept. 14	274.9	275.0	273.3	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Sept. 8	54.0	54.1	50.0	26.1
Currency in Circulation	Sept. 15	30.0	30.1	30.3	10.7
BANK DEBTS—(rb3)**					
New York City—$b	Aug.	60.1	63.0	46.9	16.1
344 Other Centers—$b	Aug.	95.1	95.6	90.7	29.0
PERSONAL INCOME—$b (cd2)	July	287	287	288	102
Salaries and Wages	July	196	196	201	66
Proprietors' Incomes	July	49	49	48	23
Interest and Dividends	July	24	24	23	10
Transfer Payments	July	16	16	14	10
(INCOME FROM AGRICULTURE)	July	16	16	15	3
POPULATION—m (e) (cb)	Aug.	162.7	162.4	159.9	133.8
Non-Institutional, Age 14 & Over	Aug.	116.3	116.2	115.2	101.8
Civilian Labor Force	Aug.	65.5	65.5	64.6	55.6
Armed Forces	Aug.	3.3	3.3	3.4	1.6
unemployed	Aug.	3.2	3.3	1.2	3.8
Employed	Aug.	62.3	62.1	63.4	51.8
In Agriculture	Aug.	6.9	7.5	7.5	8.0
Non-Farm	Aug.	55.3	54.7	55.9	43.2
Weekly Hours	Aug.	42.2	38.4	43.1	42.0
EMPLOYEES, Non-Farm—m (lb)	Aug.	48.0	47.8	50.0	37.5
Government	Aug.	6.5	6.5	6.4	4.8
Trade	Aug.	10.3	10.4	10.4	7.9
Factory	Aug.	12.5	12.2	14.1	11.7
Weekly Hours	Aug.	39.7	39.4	40.5	40.4
Hourly Wage (cents)	Aug.	1.79	1.80	1.77	77.3
Weekly Wage ($)	Aug.	71.06	70.92	71.69	21.33
PRICES—Wholesale (lb2)	Sept. 14	110.0	109.9	111.0	66.9
Retail (cd)	June	209.0	208.7	210.1	116.2
COST OF LIVING (lb2)	July	115.2	115.1	114.7	65.9
Food	July	114.6	113.8	113.8	64.9
Clothing	July	104.0	104.2	104.4	59.5
Rent	July	128.5	128.3	123.8	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	July	14.3	14.4	14.5	4.7
Durable Goods	July	4.9	5.0	5.1	1.1
Non-Durable Goods	July	9.4	9.4	9.4	3.6
Dep't Store Sales (mrb)	July	0.85	0.85	0.86	0.34
Consumer Credit, End Mo. (rb)	July	27.8	27.8	27.6	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	July	22.6	22.9	24.5	14.6
Durable Goods	July	9.9	10.0	11.6	7.1
Non-Durable Goods	July	12.7	12.9	12.9	7.5
Shipments—$b (cd)—Total**	July	24.2	24.2	25.1	8.3
Durable Goods	July	11.4	11.4	12.7	4.1
Non-Durable Goods	July	12.8	12.9	12.3	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	July	78.4	79.0	81.1	28.6
Manufacturers'	July	44.2	44.5	46.5	16.4
Wholesalers'	July	11.7	11.9	11.9	4.1
Retailers'	July	22.4	22.6	22.7	8.1
Dept. Store Stocks (mrb)	July	2.5	2.4	2.6	1.1
BUSINESS ACTIVITY—1—pc	Sept. 11	186.5	188.0	199.4	141.8
(M. W. S.)—1—np	Sept. 11	232.1	235.0	244.0	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 35)
weeks ending September 17 to close at 90.5% of the 1947-1949 average. Foods were down 2.4% and fats and oils lost 1.9%. Raw industrial materials gained 0.9% during the period and metals rose 1.8%, with strength in the latter attributable to Government stockpile purchases.

* * *

Business is gradually reducing its outlays for **NEW PLANT AND EQUIPMENT,** according to the latest joint survey by the Commerce Department and the Securities and Exchange Commission. Expenditures for this purpose in the third quarter are estimated at $26.75 billion, at seasonally adjusted annual rates, down from $27.18 billion the previous quarter and $28.48 billion in the July-September period of 1953. Businessmen are planning a further cut in the fourth quarter of this year with total capital spending at $25.96 billion. On this basis, total outlays for 1954 will come to $26.7 billion, or 6% under last year. The biggest drop from 1953 spending will be among railroads where outlays are expected to drop 35%. Manufacturing concerns will spend 8% less for new plant and equipment in 1954 although large firms in this field—those with assets over $100 million—are scheduling capital outlays at the same rate as in 1953. Electric power, mining and commercial companies are also planning to spend as much this year as last for plant and equipment.

* * *

CONTRACT AWARDS for new construction in the 37 states east of the Rockies amounted to $1,573 million in August, according to data compiled by F. W. Dodge Corporation. Although the latest month was 14% under the big July total, it was still the biggest August on record and 11% ahead of August, 1953. The biggest year-to-year gain was in residential contract awards which came to $693 million, 36% ahead of last year. Nonresidential contracts at $551 million, were 1% above August, 1953 while heavy engineering awards amounted to $330 million, or 9% under a year ago. The August contract award figures brought the total for the first eight months of this year to $12.7 billion, a 14% gain over the corresponding 1953 period.

* * *

Consumer demand for **TELEVISION SETS** has made a good comeback this year and July was no exception. 368,634 sets were sold by retailers during the month, up from 351,885 in June and 340,406 in July, 1953. Cumulative sales in the first seven months of this year amounted to 3,174,394 units as compared with 3,116,306 in the same

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Aug.	124	124	136	93
Mining	Aug.	111	113	119	87
Durable Goods Mfr.	Aug.	135	134	157	88
Non-Durable Goods Mfr.	Aug.	116	115	119	89
CARLOADINGS—t—Total	Sept. 11	602	688	711	933
Misc. Freight	Sept. 11	300	343	342	379
Mdse. L. C. L.	Sept. 11	54	65	59	66
Grain	Sept. 11	45	52	44	43
ELEC. POWER Output (Kw.H.) m	Sept. 11	8,808	9,087	7,963	3,266
SOFT COAL, Prod. (st) m	Sept. 11	6.7	7.7	8.1	10.8
Cumulative from Jan. 1	Sept. 11	255.3	248.6	314.9	44.6
Stocks, End Mo.	July	67.2	69.6	74.8	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Sept. 10	6.2	6.1	6.5	4.1
Gasoline Stocks	Sept. 10	153	155	141	86
Fuel Oil Stocks	Sept. 10	57	56	52	94
Heating Oil Stocks	Sept. 10	122	117	125	55
LUMBER, Prod.—(bd. ft.) m	Sept. 11	191	185	223	632
Stocks, End Mo. (bd. ft.) b	July	9.0	9.1	7.8	7.9
STEEL INGOT PROD. (st) m	Aug.	6.7	6.6	9.4	7.0
Cumulative from Jan. 1	Aug.	57.5	50.8	76.6	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Sept. 16	306	221	321	94
Cumulative from Jan. 1	Sept. 16	10,253	9,947	10,874	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Sept.11	200	312	199	165
Cigarettes, Domestic Sales—b	June	35	31	33	17
Do., Cigars—m	June	533	480	510	543
Do., Manufactured Tobacco (lbs.)m.	June	18	17	17	28

PRESENT POSITION AND OUTLOOK

1953 months. The improvement was especially noteworthy in view of the imminence of large-screen color television receivers which was expected to restrain current buying of black and white sets.

* * *

Expenditures for **NATIONAL ADVERTISING** in July were 2% under June, according to the seasonally adjusted index of Printers' Ink. The index stood at 170% of the 1947-1949 average in the latest month, a level still 2% above outlays in July, 1953. National advertising in magazines in July was 4% under a year ago while network radio dipped 17%. On the other hand, television advertising was 32% above a year ago, outdoor media had a 7% gain and business papers took in 1% more.

* * *

FREIGHT CAR builders have had their first upturn in order backlogs in two long years. Cars on order rose to 13,013 at the end of August a gain of 124 from a month earlier. The improvement resulted from an increase in new orders which rose to 2,425 in August from only 883 the previous month. Shipments also were higher at 2,297 cars, but were under incoming orders. Manufacturers are hopeful that the Government's plan to buy cars here for foreign countries, will bolster demand.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. 1—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

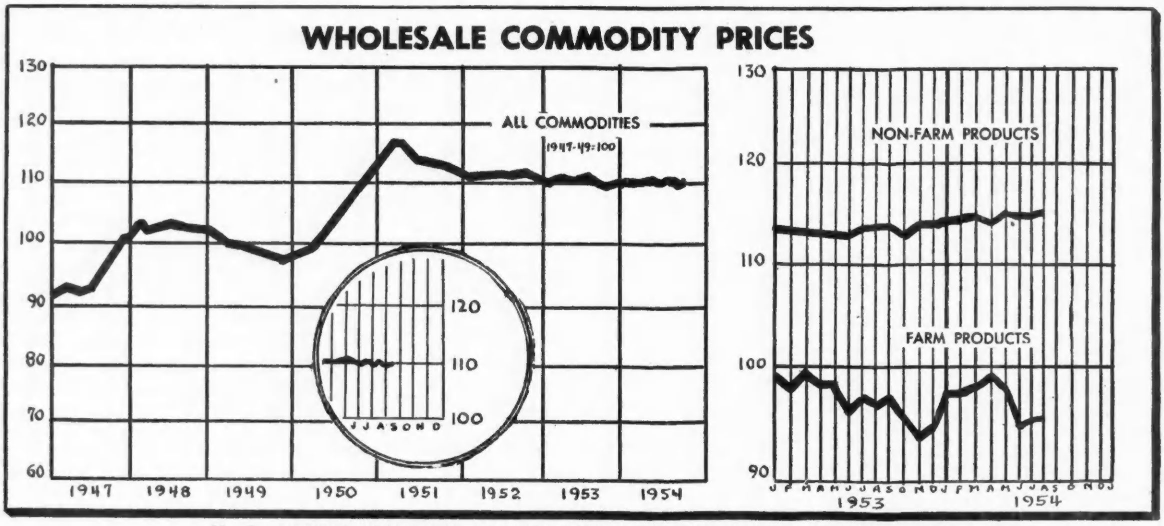
No. of Issues (1925 Cl.—100)	1953-'54 Range High	Low	1954 Sept. 10	1954 Sept. 17
300 COMBINED AVERAGE	243.9	179.0	240.8	243.9A
4 Agricultural Implements	263.3	179.0	225.5	225.5
10 Aircraft ('27 Cl.—100)	776.2	330.3	763.9	747.6
7 Airlines ('27 Cl.—100)	693.9	492.6	684.7	689.6
7 Amusements	135.7	76.4	134.9	135.7A
10 Automobile Accessories	289.4	213.8	259.8	266.8
10 Automobiles	49.4	38.4	40.8	41.6
3 Baking ('26 Cl.—100)	28.0	23.0	24.4	24.6
3 Business Machines	548.7	311.4	534.6	548.7A
2 Bus Lines ('26 Cl.—100)	319.5	170.2	296.3	319.5A
6 Chemicals	446.9	337.9	435.8	443.2
3 Coal Mining	15.4	9.0	11.1	11.1
4 Communications	87.0	58.6	87.0	87.0
9 Construction	90.3	57.9	87.2	89.0
7 Containers	667.1	456.9	642.6	652.4
9 Copper & Brass	197.1	125.3	192.9	197.1A
2 Dairy Products	129.1	82.3	122.8	121.8
5 Department Stores	73.2	54.6	70.4	70.4
5 Drug & Toilet Articles	296.8	203.8	294.4	296.8A
2 Finance Companies	538.4	341.8	526.4	538.4
2 Food Stores	246.1	113.0	244.2	246.1A
2 Food Stores	151.6	113.0	146.3	147.6
3 Furnishings	79.2	59.6	63.7	63.0
4 Gold Mining	760.0	502.3	653.0	658.0

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Sept. 10	1954 Sept. 17
100 HIGH PRICED STOCKS	157.9	114.4	156.1	157.9
100 LOW PRICED STOCKS	287.0	203.7	282.9	287.0A
4 Investment Trusts	129.7	93.1	129.7	129.7
3 Liquor ('27 Cl.—100)	967.8	805.8	917.2	934.3
11 Machinery	285.5	181.0	275.3	281.4
3 Mail Order	153.0	101.0	149.8	146.6
3 Meat Packing	102.0	78.7	100.3	102.0A
10 Metals, Miscellaneous	311.6	198.4	297.5	311.6A
4 Paper	687.5	394.9	659.8	687.5A
24 Petroleum	521.2	376.5	505.0	521.2A
22 Public Utilities	229.4	173.8	227.4	227.4
8 Radio & TV ('27 Cl.—100)	36.9	27.6	33.9	35.3
8 Railroad Equipment	64.1	49.1	62.4	62.4
20 Railroads	53.2	41.8	51.4	51.8
3 Realty	76.2	42.3	76.2	75.7
3 Shipbuilding	468.3	228.7	444.9	450.8
3 Soft Drinks	433.3	339.0	402.9	402.9
11 Steel & Iron	172.8	122.8	170.2	172.8
3 Sugar	59.8	45.9	52.3	51.9
2 Sulphur	720.1	525.6	698.6	720.1A
5 Textiles	162.2	101.3	123.6	123.6
3 Tires & Rubber	118.2	70.4	109.6	118.2A
5 Tobacco	105.2	73.5	81.1	81.1
2 Variety Stores	319.5	274.4	277.2	277.2
16 Unclassified ('49 Cl.—100)	130.1	97.0	126.0	126.0

A—New High for 1953-1954.

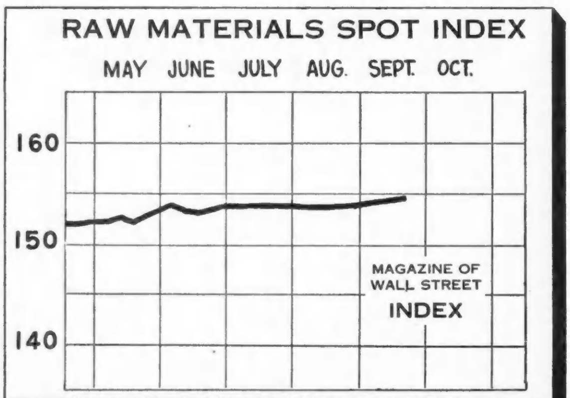
Trend of Commodities

Commodity futures were no worse than mixed in the two weeks ending September 17 but the Dow-Jones Commodity Futures Index fell 1.91 points during the period as the result of continued weakness in coffee and cocoa. Near-term wheat futures were lower but the later options showed resistance to decline, the July contract actually gaining ½ cent during the period to close at 207. United States and Canadian crop reports put North American wheat production in 1953 at 1,340 million bushels, a 25% decline from last year's output. The large carryover from previous crops will put total supplies at record levels of about 2.83 billion bushels, an increase of 130 million bushels over last year. However, the Commodity Credit Corporation holds a large part of the U. S. supply, controlling 875 million bushels as of July 1, either through ownership or under the price support program. Moreover, a big share of the 1954 crop will also go into the loan. As a result, the supply of free wheat in coming months is apt to be limited. May corn lost 1¾ cents in the two weeks ending September 17 to close at 159¼. The Agriculture Department's estimate, based on September 1 conditions, was for a 2,973 million bushel crop, 150 million bushels above the August 1 forecast. Adding this total to the estimated October 1 carryover of 900 million bushels brings total supplies for the year beginning October 1, 1954 to 3,873 million bushels or about 75 million bushels below the current season's supply. If disappearance next season equals this season's estimated 3,050 million bushels, the carryover on September 30, 1955 will be reduced to 825 million bushels. Cotton futures were moderately higher in the two weeks ending September 17 and the December option gained 46 points to close at 35.18. Continued reports of further crop deterioration were the main basis for strength.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

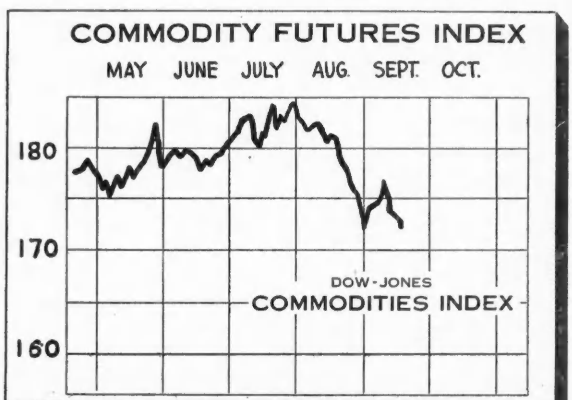
	Date Sept. 17	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.5	90.8	91.5	88.9	53.0
9 Foodstuffs	95.3	97.6	97.4	97.2	46.1
3 Raw Industrial	87.1	86.3	87.5	83.5	58.3
5 Metals	97.6	95.9	96.8	88.2	54.6
4 Textiles	88.5	87.8	88.0	87.0	56.3
4 Fats & Oils	69.7	71.3	69.9	68.6	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	183.7	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Pepperell Manufacturing Company

"When you reviewed the textile industry in your magazine, you stated that this industry faced difficulties in the past year and I was wondering how it affected Pepperell Manufacturing Co. Will you please furnish late earnings and also state the principle products the company manufactures."

S. E., Massillon, Ohio

Pepperell Manufacturing Company has a good record in the textile industry. Consecutive dividends have been paid since 1852.

For the fiscal year ended June 30, 1954, Pepperell reported sales of goods and services amounted to $85,290,188, with net income after taxes $2,387,355, equal to $4.91 a share on 486,135 shares of common stock outstanding. This compares with sales of goods and services of $87,443,652 and net income of $3,861,002, equal to $7.95 on the same number of shares a year ago.

The 1953 figures include net earnings of 3½ months from the Dunson Mills, acquired in March 1953, while the 1954 figures include the entire year's operation of these mills in Georgia, now operating as the Dunson Division.

The textile industry in general had a year of readjustment, with volume of sales below normal. Most of Pepperell's profit was made in the first three quarters, and by the end of the fiscal year selling prices on some major products were as much as 10% lower than a year ago, but despite some higher raw material costs. During recent weeks, there has been a tendency for the selling prices of company's products to firm, with a few advances, although volume of sales at the advanced prices has not been very large.

Pepperell manufactures sheets, blankets, apparel fabrics, crib blankets, rayon goods, shoe fabrics and a wide variety of other textiles.

During the fiscal year the company paid dividends of $2,187,607, amounting to $4.50 per share, compared to $1,944,540 or $4.00 per share the previous year.

Net working capital as of June 30, 1954, was $26,141,341; while net assets total $46,914,799.

Jewel Tea Company

"I have a modest holding in Jewel Tea Company and as the stock has had a good advance, I was wondering whether I should accept profit or hold this investment for the long term."

J. R., Trenton, New Jersey

Earnings of this grocery truck route and store company are normally stable and the new catalogue division enhances outlook. While the present cash yield is modest, for conservative investors seeking a fair quality stock in the food industry, the shares merit retention on a long range basis.

Operations of Jewel Tea Company for the 28 weeks ended July 17th, 1954 showed sales of $144,700,147, 13.2% above the previous first half record established last year. Substantially all of the increase came through increased tonnage—the principal exception being coffee.

Food Store sales increased considerably more than the average for the industry, due to further expansion within the Chicago metropolitan district into areas not served previously and the continuing program of bringing modern improvements such as larger stores, selfservice meat markets and air conditioning.

Sales on the Home Service Routes also exceeded a year ago. Most product categories contributed to the gain on the routes, including coffee, cosmetics, cleaning products, housewares, clothing and other general merchandise. Sales through the Catalogue Shopping Service continued to rise more rapidly than the route sales as a whole.

Net earnings were $1,990,878 for the first 28 weeks of 1954, or 13.4% above the first 28 weeks of 1953. Earnings after preferred dividend requirements amounted to $1.45 per common share based on the 1,280,281 shares currently outstanding. This compares with $1.35 per share based on the 1,197,176 average of shares outstanding during the first half of 1953. Earnings in the first half of this year were reduced substantially by accounting charges to adjust unroasted or raw green coffee costs to a LIFO (last in, first out) basis.

Net additions to property, plant and equipment in the first 28 weeks of 1954 were $3,877,490 after deducting the book value of capital assets sold or abandoned. This compares with net additions to capital assets of $2,665,434 in the first half of 1953. Based on operating budgets, net additions to capital assets during the remainder of this year are expected to total $3,700,000.

Net working capital totaled $24,852,352 at mid-year 1954 compared with $26,865,207 at the

(Please turn to page 40)

Answers to Inquiries

(*Continued from page 39*)

start of this year.

The 40¢ quarterly dividend may again be supplemented by a 20¢ year-end-extra.

International Nickel Co. of Canada, Ltd.

"I have been a subscriber to your valuable magazine for a good number of years. I would appreciate receiving latest earnings data on International Nickel Co. of Canada, Ltd. and also information on any new developments in its field that offer good promise."

I. T., Dayton, Ohio

Net earnings of International Nickel Co. of Canada, Ltd. and subsidiaries for the six months ended June 30th, 1954 were $32,586,185 after all charges, depreciation, depletion, taxes, etc., equivalent, after preferred dividends, to $2.16 a share on the common stock.

For the corresponding first six months of 1953 net earnings were $29,205,595 or $1.93 per share of common.

In the three months ended June 30th, 1954, net earnings were $16,539,248, equal to $1.10 a share on the common, compared with $16,046,937, or $1.06 per share of common in the first quarter of 1954 and $13,615,044, or 90c per share of common, in the second quarter of 1953.

Among the many fields employing nickel holding great promise for the future is the electronics industry, according to Dr. John F. Thomas, chairman of the board of directors. Each year sees an expanding use of electronic devices throughout industry and in the home. The versatility of nickel and the useful properties of this metal and its alloys, particularly their magnetic, thermal expansion and electrical properties, are invaluable for many applications in the electronics industry. These characteristics assist engineers in harnessing and controlling much of today's complex machinery.

Nickel-containing stainless steels and other nickel alloys used in electronics are produced in various forms by steel mills, foundries and other companies. International Nickel's plants produce many types of wrought nickel, and Monel, Inconel and other high nickel alloys, all of which have electronic applications.

The electronics industries foresees great expansion. Comparatively small quantities of nickel and nickel alloys are used in individual components of electronic devices, but the production of such devices is so large that International Nickel supplies to this industry were more than 7,000,000 pounds of nickel during the past year. The electronics field is expected to become an important growing market for nickel.

Prospects for the company over coming months continue favorable.

Dividends including extra total $2.35 a share in 1953 and 50c quarterly has been paid thus far in the current year.

Armstrong Cork Company

"Please furnish information as to recent earnings of Armstrong Cork Company and prospects over coming months."

G. W., Los Altos, Calif.

The Armstrong Cork Company earned $5,818,540 after taxes on net sales of $106,078,788 in the first six months of 1954. In the comparable period last year, the company earned $5,167,253 after taxes on net sales of $112,915,463.

Earnings per share of common stock, after deducting dividends on preferred stock, amounted to $3.56 on 1,517,194 shares outstanding, compared with $3.32 on 1,415,103 shares outstanding in the first half of 1953. The increase in the number of common shares outstanding resulted from the conversion of preferred shares and the exercise of stock options.

With the decline in sales volume, earnings before income taxes also declined, from $14,179,853 in the first half of 1953 to $11,918,540 in the first half of this year. The improvement in net earnings after tax, resulted chiefly from the elimination of the excess profits tax.

The subsidiaries operating abroad reported net earnings of $431,128 after taxes on combined sales of $9,874,281, compared with $278,974 on sales of $9,820,880 in the first six months of 1953.

During the recent six months under review, the company's capital additions totaled $4,860,000. The book value per share of common stock rose from $64.40 on December 31, 1953, to $65.68 on June 30th, 1954. Dividend payments on the common stock were on the basis of 75¢ per share per quarter instead of 65¢ as in the first two quarters of 1953.

The demand for some flooring materials lessened during the spring of 1954, but now appears to be strengthening; new products introduced for the building industry are showing some strong sales promise; sales of industrial specialties have been adversely affected by lowered manufacturing activity across the nation; sales of packaging products have held up well and continue at a higher level. Over the remainder of the year, the tone of general business should be strong, reflecting record total purchasing power, after taxes in the hands of consumers. Buying, nevertheless, promises to remain highly selective and competition keen but Armstrong expects to get its full share of the business available and a gain in earnings appears in prospect over coming months.

Spencer Chemical Company

"I am interested in receiving late data on Spencer Chemical Company, a relatively small chemical company but am told that this is a progressive outfit. Anything you can tell me in regard to prospects for this company over coming months would be appreciated."

C. S., Fort Wayne, Indiana

Even with substantially increased facilities, Spencer Chemical Company still was able to market the capacity production of its major plants to establish record sales and net earnings in the fiscal year ended June 30th, 1954.

Net earnings amounted to $5,287,084, equal to $4.53 a share on the average number of shares outstanding. This compared to $4,661,177, or $4.01 a share on a smaller common share capitalization a year earlier. The conversion of 124,855 shares of preferred for a like number of common shares increased the outstanding shares to 1,124,855 at the year's end.

The new high in profits was achieved despite substantial nonrecurring expenses in connection with the start-up of a new anhydrous ammonia unit at Vicksburg, Mississippi, and organizational expenses connected with a new polyethylene facility being built at Orange, Texas.

The additional production from the Vicksburg plant and some modest price adjustments resulted in a sales total of $34,104,178, which was 10% higher than the $30,837,454 volume in the preceding year.

The Vicksburg works, planned

(*Please turn to page 44*)

Keeping Abreast of Industrial and Company News

Gulf Oil Corporation has developed an entirely different type of glass cleaner to eliminate the smearing and scumming-up of automobile windshields. Named Klear-Shield, it has been introduced for service use in stations handling the company's line. Secret of the cleaner is that it dissolves the water-insoluble materials not removed in ordinary washing of windshields. It is these insolubles—which won't "wet" when rain starts, that spread a filmy scum under the moving wiper blades, blurring vision. The cleaner, a liquid, also effectively removes dust, dirt, greasy film, bug splatter and other matter.

The greatest power plant in the middle west, and one of the largest and most efficient in the country, was recently completed when a fourth big generating unit was put in operation at **Commonwealth Edison Company's** Ridgeland Station. The 150,000-kilowatt turbine generator was approved for service following several weeks of test operation. The electric generating unit was made by **Allis-Chalmers Manufacturing Co.** The nameplate capacity of the station is now 600,000 kilowatts, the equivalent of more than 800,000 horsepower. Its output of electricity is enough to serve a city of more than a million population.

General Foods Corporation has begun introduction of a new product—"Coffee Flavor Instant Postum". The product is a soluble powder similar in appearance to both Instant Postum and soluble coffee, and the consumer prepares it as those beverages are prepared. Its coffee flavor is artificial. Market research and consumer tests over a four-year period indicate that new imitation coffee flavor Instant Postum will enjoy high consumer acceptance. It will retail at a lower price than instant coffee.

Lockheed Aircraft Corporation appropriated $10 million to establish a new scientific laboratory for advance research by its missile systems division in Van Nuys, Calif. Research in the nuclear field will be emphasized in the laboratory. Lockheed's missile systems division deals with complete missile devices, including airframe, propulsion and guidance mechanisms, warheads for missiles and additional specialized electronic and mechanical equipment. The division now has 700 employees and expects to boost its personnel to 1,000 by the end of the year.

Pittsburgh Plate Glass Company has just announced plans to construct a huge ultra-modern plate glass producing plant at Cumberland, Maryland. Estimated cost of the proposed plant is about $34 million. It will embody all the facilities necessary for the production, handling and shipment of plate glass, and will permit engineers to design plant lay-out to engage in the very latest technological improvements. When completed, the plant will have features not present now in any plate glass plant in the world. The improvement in manufacturing processes planned for the Cumberland plant would result in the production of the finest plate glass of precision optical quality. More than 600 acres of property will embrace this new development.

Dow Chemical Co., is about to embark on the agricultural pursuits of chicken raising and greenhouse tending. The firm's Texas division early in September expects to occupy three new research buildings at Lake Jackson near the company's plant at Freeport. Two of the three structures, which total 8,000 square feet, are poultry buildings and the third is a greenhouse. One reason for the project: Dow wants to experiment with the use of synthetic amino acids on 3,000 chickens. The company is trying to develop combinations of the acids that, as part of the chick's steady diet, will add to their health and growth.

The use of abandoned slate quarries for the storage of heating oils will be tested by **Standard Oil Co. of New Jersey.** Esso Standard Oil Co., its big marketing subsidiary, soon will pump heating oil into a huge slate pit at Wind Gap, Pa., 75 miles from New York City. The oil will be held in reserve to help meet the heavy fall and winter demand. Oil will be moved to the pit which has a capacity of one million barrels through a 65 mile pipeline from Esso's Bayway Refinery in Linden, N.J. In the winter months the oil in storage will be pumped back to the refinery for shipment by barge, truck and tank car to various distributing points. Esso owns or options on other quarries in the area which in addition to that at Wind Gap, could provide storage for about 8 million barrels of oil, the equivalent of the annual heating requirements of 225,000 homes. It will take about a year to determine if the project is successful. If its feasibility is demonstrated, it may be the solution to the industry's seasonal storage problem.

The second of the two largest dredges ever built has been launched and soon will be tackling one of the biggest dredging jobs yet attempted. The ship, christened the "Joseph L. Block" will be operated for Caland Ore Co., Ltd., a subsidiary of **Inland Steel Co.** She'll be put to work removing 160 million cubic yards of silt overburden topping an iron ore deposit in the basin of Falls Bay on Steep Rock Lake, Ontario. That amount of earth is equal to an excavation three miles long, one mile wide and 400 feet deep and involves about as much dredging as was needed to carve out the Panama Canal.

END

Final Show-down on Public vs. Private Power

(*Continued from page* 15)

power program, its potential size, its inception, and ask some pertinent questions relating to its economics. Today, Uncle Sam is marketing power from 65 hydro-electric projects and 11 steam plants. In addition, 32 hydro projects and five steam plants are under construction, while Congress has authorized (but not appropriated for) 67 additional hydro-electric projects. This Federal program totes up to 29 million killowatts of generating capacity, which would be 20 percent of the total United States capacity expected by 1960. Because Federal systems allocate portions of the capital invested to so-called "non-reimbursable benefits" such as navigation, flood control, fish and wildlife, recreation, erosion control—allocations denied private developers for tax purposes—there is no way to accurately gauge the cost of our Federal power structure, but $20 billion is no doubt a conservative figure.

The Federal Government entered the electric power business back in 1906 when it was recognized that hydro power would be available at Federal reclamation projects, as water stored behind irrigation dams. Congress authorized the sale of surplus power to local users, giving preference to public bodies, later extended to Rural Elecric Administration co-operatives. The first Government project with power development as its chief function was the Hoover Dam on the Colorado River. Sale of power was authorized by Congress at rates which would repay the Federal investment in power facilities within a 50-year period.

The Tennessee Valley Authority was created by Congress as a Federal corporation in 1933 to develop and conserve the water resources of the Tennessee River basin. At the beginning, electric power was a relatively minor product of TVA dams, but as the years passed, electric power production became a major part of TVA's operations. In 1939, Congress gave TVA the right to acquire existing power systems, among them Commonwealth and Southern, thus permitting TVA to get a complete monopoly on electric power in its area. Eventually TVA erected steam plants for the sole purpose of generating electricity. As TVA moved along, the Federal Government was building other projects for flood control, navigation, conservation and reclamation. Presumably, electric power was but a by-product, but again electric power production became the chief operation.

Federal vs. Private Costs

In each of these Federal projects the individual taxpayer has a direct investment. The sale of power is the principal source of revenue or return on his investment, when such revenue is paid into the Federal Treasury. This means that the manner in which Federal power is sold determines whether the taxpayer has a profit, breaks even, or suffers a loss on his investment.

The Federal Government cannot construct power facilities cheaper than the private companies. Cost of equipment—turbines, generators, etc.—are the same. Labor costs are identical, as is the cost of transmission lines. But Government has the advantage that some costs are capitalized to "non-reimbursable" benefits, mentioned earlier in this article. It remains, however, that the taxpayer pays for the "non-reimbursables," many of questionable benefit.

Other things which give Federal power an unfair advantage over private power include exemption from Federal income taxes, low interest rates on Federal funds and virtual freedom from State and local taxes. It is true that in some instances the Federal Government made payments to local governments in lieu of taxes, but such payments were negligible. In a 10-year period, TVA made a total of $26.2 million of such payments, but a private company would have paid approximately $372 million. A fair question here could well be: Did electric consumers in the TVA area experience power cost savings equal to this sum of money? The answer assuredly would be in the negative. TVA customers bought power at lower prices than prevail in adjacent areas served by private companies, but they paid proportionately higher property taxes for the reason that many millions of dollars of private utility properties—dams, power houses and transmission lines, acquired by TVA—had been removed from the local tax rolls.

Some four or five years ago, an Interior Department official testifying before the House Public Works Committee on Federal power installations in the Pacific Northwest, was asked if a private power company could sell electricity at the same low rate charged by the Bonneville Power Administration (another Federal power operation), if enjoying the tax exemptions that are Bonneville's. His reply was in the affirmative, with the observation that the private company could sell even cheaper than Bonneville "because a private operation is always more efficient than a Government operation."

It is in the Pacific Northwest that the Federal Government has its greatest power output at this time, and the Pacific Northwest, including the great Columbia River basin, has the greatest undeveloped hydroelectric potential in the country today. Much of the Northwest Federal development thus far undertaken has been fostered by two situations—the need for power for defense, and State laws permitting the arbitrary establishment of public power districts, even in areas where private capital has built power facilities. When such districts are established, the State agency simply takes over the property of the established private utility at a Court-determined "fair price." This has not been conducive to development and expansion by the private companies and probably accounts for some of the necessity for Federal power development in that region. Since many of the Federal projects, including many of their transmission facilities, are located entirely within the public domain there is not much loss of real property tax revenues to the States. Remove the threat of local public power districts, and private capital will undertake needed developments, and at no cost to the taxpayer, with consequent addition of millions of dollars of property to State, County and municipal tax rolls.

Can Private Industry Do the Job?

Federal power advocates declare that only the Federal Government is capable of constructing and operating the large hydroelectric

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Answers to Inquiries

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two years previous, was completed within the original estimated budget. The $14,000,000 Orange Works should be completed by next spring and also within the original estimate. In the latest fiscal year $8,902,000 was spent for additions to fixed assets, property, plant and equipment, compared with $11,140,000 a year before. In the current fiscal year, the company expects to spend about $10,000,000 for new construction.

Because of the seasonal factor, sales and earnings for the six months ending December 31st, 1954, may be somewhat lower than for the same period last year, but for the year as a whole, however, owing to greater productive capacity, larger sales should be realized. Current quarterly dividend is $ .60 a share.

Admiral Corporation

"You have stated in your magazine that competition in the television and, radio and electrical appliance fields is intensifying and I have wondered how Admiral Corporation has fared in the recent period. Will you please furnish recent earnings and prospects."

O. C. Miami, Florida

Admiral Corporation's sales in the first six months of 1954 were $105,201,498 and earnings after taxes were $2,558,850. Net earnings per share were $1.09 on 2,358,276 shares outstanding. Profit, before tax and other reserves, was $6,054,633.

Sales and earnings in the first half of 1953 were $131,222,438 and $4,762,152, while earnings were $2.02 per share. Pretax earnings were $10,137,649.

While television sales at retail during the first half of the current year were ahead of last year's figures, most of the sales were made from distributor and dealer inventories. Manufacturers' TV production and sales were considerably lower until field inventories were balanced.

Sales during the second half of 1954 should equal last year, according to the executive vice president of the company, while earnings during the same period are expected to equal or exceed 1953. He said that the company was rapidly extending its newly developed automation program of mechanized production incorporating printed circuits to television receivers with lower operating costs resulting. This exclusive automation equipment was designed and built by Admiral engineers and constitutes another important "first".

Second quarter sales were $49,223,936, compared with $20,030,589 in 1953, while net earnings in the quarter were $1,054,806, compared with $1,705,274 last year. Earnings per share for the second quarter were 45c, while 72c was earned in 1953. Profit before taxes and other reserves was $2,178,482 compared with $3,508,085 last year.

The company is striving to improve its position in the appliance field but competition in this field, as well as television and radio lines, is increasing. Management is progressive and experienced.

Dividends are expected to continue at the 25c quarterly rate.

—END

How Real is Recovery in Movies?

(*Continued from page* 29)

than sufficient to bring the fiscal year's earnings above $4 a share. This would compare with 99 cents a share reported for the year ended June 30, 1953.

Universal Pictures, which has a relatively consistent earnings record over the last three years, ends its current fiscal year around November 1, next, and is likely to show a material gain in net over the previous year when earnings equalled $2.35 a share. That figure has already been surpassed in the first 39 weeks to July 31, 1954, with net income, after provisions of $3.4 million for taxes and $250,000 for contingent liabilities, increasing to more than $2.6 million, equal to $2.49 a share for the common stock, from slightly in excess of $2 million for the corresponding period of last year. This was equal to $1.87 a share. The company's successful "The Glenn Miller Story" has been a substantial contributor to this showing and it is expected that "The Magnificent Obsession", Universal's latest release will prove equally profitable. Among other releases the company has on its schedule are two CinemaScope productions, "The Black Shield of

Falworth", and "Sign of the Pagan", and "The Far Country" which will be for projection on the conventional size screen.

Paramount Pictures which has had a good earnings record for the last four years—net for 1953 was equal to $3.06 a share—is likely to show a five-year record high for the current 12 months' period. For the six months ended July 3, last, consolidated net income totaled $3,962,000. This figures out to $1.79 a share including 38c a share profit realized on sale and adjustment of inventories in subsidiary and affiliated companies. Total net profit for this year's first half compares with $2,991,000, or $1.29 a share reported for the corresponding period of 1953. While Paramount is concentrating on maintaining its high reputation as a producer of box office hits, it is also continuing the development of diversified interests in other fields through its 64% owned International Telemeter Corp., and Chromatic Television Laboratories, Inc., in which it has a 50% interest. One of the products of the latter organization is a color television tube known as the "Lawrence" tube which is said to be sufficiently developed to provide high quality color TV pictures in sizes up to 24 inches. International Telemeter has been developing a system for "pay-as-you-see" television and is working in several branches of the electronics field, particularly in connection with the mechanization of various business operations and the development of new techniques for handling large quantities of complex information.

The recent action of *20th Century-Fox* in raising its quarterly dividend from 25 cents to 40 cents a share which was paid on September 30, reflects the substantial rise in net earnings for the first six months of 1954, as well as the confidence that operating results in the final six months will be equally satisfactory. For the 1954 first half-year, consolidated net earnings of the company and its wholly-owned subsidiaries amounted to a little more than $3 million. This is equal to $1.17 a share and compares with net of $158,309 or six cents a share for the like 1953 period.

For the 40-week period to June 10, 1954, *Loew's Inc.*, reported consolidated net profits of $4,466,376. This is equal to 87 cents a

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Forces & Factors Minimizing Depression

(*Continued from page* 13)

ernment and personal sectors, are primarily responsible for the change in the nature of the business cycle as it has been experienced in the postwar years. But this is, of course, only part of the story of the postwar boom and its remarkable longevity. For while the business cycle has been dampened and calmed, business conditions themselves have been enjoying a prolonged, and on the whole healthy, stimulus from a variety of other directions.

Most important among these direct stimuli has been the phenomenal growth in American population. Almost 20 million people have been added to our population since 1946; almost 30 million since 1939. Accompanying this growth has been a rapid proliferation of demands for roads, for schools, for institutional construction of all kinds. And these side-demands resulting from population growth have been vastly augmented by still another development which represents a cross-breeding between population growth itself and the rapid rise in family incomes. This is the postwar phenomenon of suburbanization — a phenomenon that for five years has yielded an annual level of private residential construction work in the neighborhood of $12 billion, and more than one million housing starts per year. In this golden age of the housing industry, one American family out of five moves each year!

New Products and Industries

Behind this housing revolution lies still another postwar revolution, which is in a still earlier stage. By 1953, the scientific research effort of American industry had climbed to upward of $4 billion annually, and was employing about a quarter of a million scientists and associated workers. Out of this unparalleled scientific effort has begun to emerge a stream of new products and new industries ranging from atomic devices to extra-light metals, and many of these new industries hold as much promise of future growth as did the air conditioning and television industries only a few years ago. What may be particularly noteworthy about the size of the research effort is that it implies, in the future, a continuing high level of expenditures for plant and equipment, to commercialize the products discovered in today's laboratories.

The sustained, stable character of the great postwar boom is thus owing to a combination of two general factors — the first, weakening of the power of the business cycle itself, and the second, a series of strong long-term stimuli to the American economy. By all indications, both of these general factors will be present in abundant degree in 1955. Government demand will continue to exert a supportive influence, particularly now that the short-term decline in defense activity has flattened out at its budgeted level. Personal incomes, already at nearly an all-time high, are likely to continue to rise under the impetus of gradual wage rate increases, and the insatiable demands of the consumer sector are likely to rise with income. 1954 will evidently be a record year in terms of population growth, and current indications in construction contract awards figures are that both residential and nonresidential building activity, to keep pace with population, will continue to rise in late 1954 and 1955.

A Strong Foundation

Viewed in this light, the strength of the basic forces which produced the postwar boom obviously suggests something more than stability over the next year. Regardless of whether international tensions are greatly altered, and barring only an actual resurgence of shooting war, it seems highly probable that total economic activity will stage a moderate but steady recovery. The basic trend of the postwar years provides grounds for arguing that the gross national product — the total output of the nation's goods and services—will exceed $365 billion early in 1955, and pass its former peak of about $370 billion by late 1955. In this recovery, the unending search of the postwar consumer for an ever higher standard of living is likely to be the dominant element, as it has been throughout the postwar boom. —END

New Trend in Preferred Stock Redemption

(*Continued from page* 30)

who acquired the stock in the market at price levels under that figure had, considering the good quality of the shares, a stable income producer and fared all right when the shares were called for redemption at $104.

The same thing can be said of those who bought Goodyear Tire & Rubber $5 preferred at or under the $105 call price, but what about the investor who acquired the stock at this year's high of 109, or even at 108¾ as recently as last July? Having to turn his shares in at the call price means a loss for the latter investor of $3.75 on each share owned, and $4 a share loss for each share bought at the year's high, a loss which was not offset by dividend payments even though the stock had been held from the beginning of the year.

Loss in Redemptions

Holders of Spencer Chemical $2.25 preferred stock who bought above the call price, especially at the year's high of 62¾, despite the conversion privilege, must have experienced something of a shock when Spencer issued its call for redemption at $51.50. The privilege of converting into common stock share for share held no balm at the time inasmuch as the common on March 15, the redemption or conversion date, was selling at 57⅞. However, for those who held this preferred issue and were not hampered by investment requirements in converting their holdings into Spencer Chemical common, subsequent developments proved highly profitable when the latter issue moved up to an August high of 74⅞, and now is selling in the market around 71.

This is a good example of the possibilities frequently inherent in convertible preferred stocks. It also explains why investors interested in quality securities of this type are willing to make purchases at or above the call price, considering the difference as a sort of premium for the conversion privilege. On the other hand, paying a premium, that is, buying a non-convertible, callable preferred stock, regardless of how high it may be considered to rank in investment quality, is commonly poor investment judgment. The exception to this might be in connection with a callable preferred stock which, according to the redemption clause, can not be called for several years at least. If the premium paid for such an issue is not too high, the investor, when the call is made, can afford to spread the difference between his purchase price and the call price over the years in which he has held the stock. Actually, the difference could be charged against total dividends paid on the shares during the period of ownership which would mean a lower annual return but this might not be such a great price to pay for stability of income from the investment. This, however, is something the investor who had only recently acquired the stock, paying above the call price, cannot do.

In any event, investors, when considering the purchase of a preferred stock should give heed to factors other than the ability of the issuing company to show ample coverage of dividend requirements. There are, of course, a number of preferred stocks that are non-callable. In that case, there can be no concern as to the possibility of loss through redemption by call at a price below that paid for the shares.

Where the issue under consideration is callable, consideration must be given to the call or redemption clause. With few exceptions these clauses provide for payments on a diminishng scale over a period of years. For instance, a particular issue might be redeemable at, say, 105 up to a certain date after which the redemption price falls to, for instance, 103.50, and then eventually to 100. The elapsed time between price changes and the possible ultimate redemption at par value varies, depending upon the provisions established at the time the stock is issued and the number of years it has been in existence.

These conditions should be carefully checked before making a commitment in any preferred

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New Trend in Preferred Stock Redemption

(*Continued from page* 47)

issue, particularly now when there appears to be a trend among many companies in various industries having preferred stock obligations to put redemption provisions into execution.

The fact that a preferred stock has been outstanding for a number of years is not an indication that the issuing company may not call the shares for redemption at the stipulated current call price. Goodyear Tire & Rubber's decision to redeem its $5 preferred stock is a good illustration. This is an issue that had been in investment portfolios for 19 years. As a rule redemption notices are not given out much in advance of the actual redemption date; usually the time between issuance of the call and the redemption deadline is 30 days. In this fact is the explanation of why Goodyear's preferred stock, redeemed at 105 on September 30, sold less than two months prior to that date at 108¾. It is probable that purchases made at that market level were by prudent investors seeking a good quality preferred stock with a comparatively liberal yield. If so, it is obvious that the one thing they failed to do was to check the redemption provisions or failed to properly weigh the possibility of early redemption.

This is not a rare occurrence. It has happened before and will undoubtedly happen again so long as there are investors who, anxious to employ investment funds in good grade preferred stocks, neglect to give consideraton to redemption clauses and recognize the possibility of those clauses being invoked at any time. By the same token, investors holding an issue selling above the current call price would be well advised to ponder on whether to liquidate their holdings at the prevailing level and reinvest the proceeds in comparable quality preferred stocks selling below their call price or which have a non-callable provision. In this connection, there are a number of non-convertible preferred stocks currently selling at slightly more or considerably above their present call prices. These are listed in the accompanying table. The alert investor is aware of the redemption features of these issues which he may have in his portfolio. The listings should prove of value to other investors holding any of these stocks who have not familiarized themselves with the redemption clauses or who have allowed this essential information to become buried under the stress of other matters.

In an accompanying table, we present a limited list of selected preferred stocks which we regard as suitable media for the reemployment of proceeds of sale of other preferred issues which investors may decide to sell at this time. —END

Where are 1954's Big Movers Headed Now?

(*Continued from page 10*)

split on a "dollar-averaging" basis.

Inland Steel. The unusual fine earnings of this company, against a rather drab industrial background, has laid the basis for an above-average performance for steel stocks. Despite the substantial advance in recent months, the issue should be held. Long-term prospects are exceedingly favorable and the stock might be acquired on a scale down, when the opportunity for such action presents itself. This is one of the best of the steel stocks and its inclusion would be warranted in a well-balanced portfolio.

International Business Machines. The immense advance in the stock has been predicated mainly on the imposing prospects of the company in the electronics field. Accordingly, it should be treated essentially as a long-range investment. Obviously, near-term prospects have been substantially discounted in the 125-point advance in the stock and new commitments should be deferred. For investors in a position to accumulate high-priced shares, "dollar-averaging" could be used to good advantage but should not be inaugurated until the technical position of the stock at present levels has been more fully tested.

International Paper. Maintenance of high earning power, assisted by the lapse of the excess profits tax, accounts for the

strength of the stock over recent months. To a considerable extent, however, it would seem that near-term prospects have been rather liberally discounted and, accordingly, for those holding speculative positions, partial acceptance of profits is recommended. Long-term holders, particularly, those who acquired the stock at substantially lower levels need not disturb their commitments. New purchases should be deferred.

Lily-Tulip Cup. Rapid expansion of earnings substantially justifies even the present advanced price of the shares. While new commitments should be deferred, after a 54-point advance, long-term holdings need not be disturbed. However, for those holding the stock on a purely speculative basis, partial acceptance of profits might seem advisable.

Lockheed Aircraft. General enthusiasm for aircraft shares, plus a sharp increase in earnings, have contributed to the more than doubling of the market price. While this aggressive and well-managed company faces a satisfactory future, the present price of the stock has gone a long way towards discounting earning prospects. Hence, in this case, speculative profits might be accepted. A long-range position would seem less advisable, especially when compared with potentials in such stocks as Boeing and Douglas.

McGraw Electric. After a 44-point advance, this stock outran its near-term prospects and, upon substantial realizing, lost about half its gain. At the now more attractive price level, new purchases on a sliding scale would seem warranted. Long-term holdings should be maintained in view of the steady expansion of the company and excellent potentials.

Minneapolis-Honeywell Regulator. The high investment standing accorded this stock is illustrated by the fact that it is priced at roughly 20 times estimated earnings for 1954, approximately the same ratio as General Electric. After a 46-point advance, a resting point is indicated. While partial acceptance of speculative profits for those so minded would seem in order, it probably would be wiser in the long run, in this case, to forego the opportunity and treat the stock as a semi-permanent fixture in the portfolio. New purchases, however, would not be advisable at this level.

Owens-Corning Fiberglass. This growth stock has fulfilled all expectations marketwise and, at its recent high, sold at approximately twice the low of last year. The stock is distinctly of a dynamic growth type and it would seem wiser to hold the issue on a long-term basis, rather than yield to the temptation to accept profits. This, of course, is something for the individual investor to decide, depending on his needs and objectives. New purchases should be deferred pending a better price level.

Proctor & Gamble. The substantial advance in the price of these shares is largely accounted for by steady absorption into investment accounts. While the stock is liberally appraised at current market levels, it should be held as a long-term investment. New purchases should be deferred, awaiting a better opportunity through any technical reaction that may develop.

Reynolds Metals. This stock has made belated response to the substantial progress of the company in post-war years. It is selling at about 7 times estimated 1954

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THE OXFORD DICTIONARY OF QUOTATIONS—Second Edition

Since the publication in 1941 of the first edition of this now famous reference book, suggestions have streamed in and have been considered for the successive reprintings. The material for a more extensive revision gradually accumulated, and the Compilers have now prepared this second edition, keeping before them the same standard of familiarity as governed their choice for the first edition, and adding about 1,300 quotations. Some of the entries which are now less familiar have been omitted.

The total number of quotations given is well over 40,000, and in this edition those in foreign languages and those formerly under such headings as Holy Bible, Ballads, and Nursery Rhymes are incorporated in the general alphabetical arrangement.

Great care has been taken to discover precise sources and many corrections have been made in attribution as well as in text. Fuller cross-references make it possible to compare similar and related phrases and ideas. The index has been entirely re-made and is considerably larger than that to the first edition; and to help the reader to find a quotation more quickly each reference now includes both a page number and the number of the quotation on that page.

The *Dictionary* is established as an invaluable handbook to all concerned with the spoken or written word, professionally or otherwise, and as an unparalleled bedside book.

Oxford $8.50

Where are 1954's Big Movers Headed Now?

(*Continued from page* 49)

earnings, compared with 25 times earnings for Aluminum Co. of America. While not in the same class, the disparity in valuation seems excessive. After having called in the preferred stock last year, the likelihood of a stock split would seem to increase. Holdings should be maintained and new purchases would seem warranted in the event of any substantial technical reaction.

Rohm & Haas. This stock has had a spectacular advance in the past year, rising from 115 to 261. The stock, of course, appeals only to investors interested in long-range growth possibilities which is a pronounced feature of this company's prospects. Despite the extreme advance, holdings need not be disturbed. This would be particularly applicable to wealthy investors who are not interested in short or intermediate-term capital gains and who are, consequently, not concerned with the substantial reactions that may occur from time to time in such high-priced shares.

Scott Paper. After the 46-point advance, this stock should be reaching a resting point. The issue is in a distinctly growth category and should be viewed mainly as a suitable long-term holding, where temporary reactions can be ignored. For speculative accounts, however, partial acceptance of profits might be in order. New purchases should be deferred pending the inevitable settling-down process after the recently recommended 2-for-1 stock split has been effectuated.

Sperry Corp. The stock's advance has paced the rapid increase in earnings. The stock should be held temporarily on speculative accounts. Moderate long-range positions need not be disturbed. New purchases should be deferred pending any technical reaction.

Standard Oil of New Jersey. This stock has had a rather substantial advance this year, in the face of the nondescript action, except very recently, by the oils generally. As one of the very strongest American concerns, holdings should be considered primarily from a long-term standpoint and should not be disturbed. It probably would be wiser to sacrifice the opportunity for speculative profits in order to retain a position in this sound investment. This is the type of issue suitable for "dollar-averaging."

Thompson Products. The sharp advance in the price of the stock has been in response to the favorable position of the company with respect to new aircraft parts developments and important new lines. The stock split (2-for-1) just recommended, furnishes an opportunity for acceptance of speculative profits. Long-term positions need not be disturbed by investors who wish to retain semi-speculative issues in their portfolios. New purchases, if desired, should be deferred until after the stock-split has been effected.

U. S. Gypsum. The very large advance in this stock has been partly in response to the indicated substantial increase in earnings this year and, to the possibilities of locating oil on its Texas acreage. In view of the latter potentials, though necessarily unpredictable, holdings should be maintained, despite the impressive rise in the price of the stock. The stock, at these levels, is no longer suitable for the average investor.

U. S. Steel. The new high price levels of this stock is in response to growing recognition that it is reaching a much more dependable status as a stable earner. The cyclical characteristics of the strong steel companies are in much less evidence. Accordingly, a higher valuation is now being placed on earnings. The stock should be retained as a long-term holding and new purchases might be made on a sliding scale.

Vanadium Corp. The spectacular advance in the price of the shares has been due to improving position of the company with respect to uranium-vandium operations. At present prices however, the stock seems to have outrun its nearer-term earnings prospects and partial acceptance of profits on speculative accounts might be advisable. Investors interested

(*Please turn to page* 55)

in his hand

Wrap the big hand around the little hand . . . for now begins a little heart's journey into prayer . . . the guide is Dad, the goal is a security not even he can provide.

But the pattern is security, and it is Dad's privilege to supply his part of it for the little hearts in his care.

In this binding, enclosing love life finds its finest answer.

The security of our homes is our worthiest goal. And providing it is a privilege unique in a country like ours, where each of us is free to choose his way.

And, think: The security that begins in *your* home, joined to that of other homes, builds the strength of America.

Saving for security is easy!
Read every word—now!

If you've tried to save and failed, chances are it was because you didn't have a *plan*. Well, here's a savings system that really works—the Payroll Savings Plan for investing in U.S. Savings Bonds. This is all you do. Go to your company's pay office, choose the amount you want to save—a couple of dollars a payday, or as much as you wish. That money will be set aside for you before you even draw your pay. And automatically invested in Series "E" U.S. Savings Bonds which are turned over to you.

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How Real is Recovery in Movies?

(*Continued from page* 43)

share, and compares with $3,185,871 or 62 cents a share realized in the corresponding period of last year. Loew's, the last of the integrated film producers and theatre operators to comply with the Government's consent degree requiring the separation of the motion picture production and distribution from domestic theatre operations has, effective Sept. 1, last, transferred its latter activity to Loew's Theatres, Inc. The new theatre company, operating 130 houses in the U. S. and Canada, however, will not distribute its shares to present shareholders of Loew's, Inc., until current funded debt of about $40 million is divided proportionately between the new theatre company and Loew's, Inc. If the division is not arrived at by February of next year, application can be made for an extension of time that could possibly run until February, 1957. —END

Candidates for Year-end Dividend Increases

(*Continued from page* 24)

McGraw Electric has bolstered its position in the electrical equipment and appliance industry through diversification of activities and emphasis on power distribution supplies. A higher volume of business indicated for this year, together with tax relief, may boost earnings well above the 1953 showing of $6.90 a share and encourage hope of repetition of a year-end special distribution in addition to the usual 75-cent quarterly distribution. Expectations of a stock split persist.

Penn-Dixie Cement, prospering along with other representatives of its industry, from a high volume of construction and road building, is expected to show earnings for this year comparing favorably with last year's $5.57 a share on increased capitalization resulting from a 20 per cent increase in outstanding stock. With the improvement in outlook in recent years, management has adopted a more liberal policy on dividends. Prospects are regarded as promising for an extra in addition to the regular 50-cent quarterly rate.

Phelps Dodge, second principal domestic copper producer, is expected to show encouraging results this year partly as a result of increased output and chiefly because the price of copper has held up at a higher level than many economists had anticipated. As a result, net profit is being projected at about the same figure as in 1953 in spite of reduced consumer demand in the first six months. The management is expected to take cognizance of such a showing with another year-end extra in addition to the regular quarterly payment of 65 cents a share.

Republic Steel, third largest steel maker, is regarded as a candidate for a special distribution of some kind this year in spite of reduced sales and prospective lower earnings. Optimism is based on the belief that even at a lower output rate prevailing this year, earnings may come close to reaching the 1952 showing of $7.21 a share, which would provide a comfortable margin for the regular $4.50 annual rate. The fact that large earnings were ploughed back into properties in recent years is cited as a reason for a possible stock dividend.

Radio Corp. of America, dominant factor in electronics, has pursued a conservative dividend policy, and in recent years directors have followed a practice of waiting until toward the year-end to supplement regular quarterly distributions that had seemed modest in relation to earnings. Hope is expressed that such a policy may be continued this year even though net profit may sag slightly from last year's $2.27 a share.

Sears, Roebuck & Co., leading mail order house, traditionally has withheld action on supplemental dividend payments until late in the year when full results for the period could be estimated. Extras have become the usual thing in recent years. The quarterly rate has been raised slightly to 60 cents from 50 cents. Lower earnings are in prospect, but the decline should not bar a modest bonus payment.

Socony-Vacuum, one of the major integrated companies, may not quite maintain earnings at the 1953 rate of $5.35 a share, but results give promise of ranging well above $4 a share, which would seem to warrant hope of something more than the usual quarterly distribution of 50 cents.

Standard Oil Co. (New Jersey), an outstanding world producer and distributor of petroleum products, has been evidencing a more liberal policy toward stockholders in recent years as management has taken into account the fact that the stock steadily is gaining wider distribution. A larger proportion of earnings is being paid out. If net profit this year comes close to reaching the $9.13 a share of last year, it would be reasonable to anticipate an extra.

Texas Co., another major independent factor in the petroleum industry, has followed a practice of considering extra dividends at the October board meeting in recent years. Although earnings this year may dip slightly from last year's $7.01 a share, indications point to more than adequate coverage for regular 75-cent quarterly payments and unless the industry's outlook changes unexpectedly for the worse in coming weeks, it would seem reasonable to think management may feel justified in approving an additional distribution to stockholders this year.

Twentieth Century-Fox, with the benefit of increased revenues from licenses using its CinemaScope prices, has experienced impressive recovery in earnings this year. Further gains anticipated for last half of this year point to possibility of earnings approximating $3 a share, against $1.65 in 1953, and to further liberalization of dividends. The quarterly rate recently was raised to 40 cents from 25 cents regular and 10 cents special in previous quarters this year. A year-end extra would appear a lively possibility.

U. S. Steel, leader in its industry, is mentioned as another candidate for a special distribution to stockholders. Although earnings are difficult to forecast by reason of rising production costs,

(*Please turn to page* 56)

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Final Show-down on Public vs. Private Power

(*Continued from page* 42)

projects. They support the argument by pointing to the financial backing of the U. S. Treasury and the large engineering staffs in Government agencies. These admittedly surpass those of private industry. Yet, when the biggest electric power project in history was tossed industry's way by the Atomic Energy Commission last year, fifteen private utility companies along the Ohio River pooled resources and engineering talents to build and operate two generating stations with combined capacity of 1,800,000 kilowatts—an output greater than Hoover and Bonneville Dams combined. And all of this at no expense to the taxpayers-

There are other examples of private industry laying out large sums on big projects and offering to undertake greater ones, proving the "Government-only" argument to be as spurious as a $3 bill. The Idaho Power Co. will invest $160 million in 780,000 kilowatts of hydroelectric capacity on the Snake River. Five New York private utilities are ready to invest $400 million to develop 1,100,000 additional kilowatts from the Niagara River; still other New York private utilities will invest additional millions in transmission lines to carry power from the huge hydroelectric plant that its to be a part of the St. Lawrence Seaway project. In the Pacific Northwest, a group of private utilities have agreed to "get together" and build several large projects on the Columbia River and its tributaries. These examples illustrate that, given the opportunity to engage in economical power development programs, private industry is "ready, willing and able" to go ahead, and *without burden upon the long-suffering taxpayer.*

Perhaps the real climax in the private *versus* public power struggle is now, or soon will be, centered on the atom and its electric producing potential. Certainly it has the lime light at the moment, for it was brought sharply into focus during the 13-day Senate filibuster on the new Atomic Energy Act. Oddly enough, the filibusterers were not centering their fire on the new measure itself, but on a Presidential order to the Atomic Energy Commission to enter into contract with a private utility combination to construct the needed facilities and feed into the TVA system power to replace that the Atomic Energy program will draw from TVA.

This contract, now known as the Dixon-Yates agreement, spells the end of TVA's growth as a publicly-owned power operation according to its opponents, who say it is a cleverly designed move to halt further expansion of the sprawling Government operation which has branched out into many fields of commercial endeavor, including the production of nitrogen for fertilizer in competition with private business.

Public power proponents contend that if TVA were permitted to build its own steam plant at West Memphis, Tenn., it could generate the power at lower cost. The Administration counters with the argument that TVA pays no taxes, state or local, but Dixon-Yates would, thus bolstering State, County and municipal finances. Opponents of the contract with the private company, assert, the Government-financed steam plant could save four to five million dollars yearly, while the Administration countered with a declaration that the Federal Treasury would be relieved of the outlay of $100 million over the next three years.

The public power groups insist the Dixon-Yates agreement would "drive a private power wedge" into the TVA area, now prospering through a planned and orderly development of the region's resources. Rebutting this, the Administration forces say it is now time for a "new look" at the TVA operation, especially the power set-up which only last year the President cited as an example of "creeping socialism." The writer, who has watched TVA's expansion over the past decade, feels that "creeping" is an inadequate word—he would be tempted to substitute "galloping."

But, departing from the heated debate that has arisen as a result of the Dixon-Yates agreement, the writer would point up to the private power interests that they now face a crisis. If free enterprise falters in the development of electric power from the atom, we will be confronted with the possibility of nationalized power. This would not be creeping or galloping socialism, it would be socialism in its final and complete form. Bureaucratic control of power would give bureaucracy the power to utterly destroy *any* industrial operation through the simple expedient of shutting off power through some arbitrary ruling.

At this stage of the "game," there are some within the private power groups who, although conceding the enormous potentials of the atom, feel that private industry cannot "go it alone." They say there must be some help in the form of subsidies from Government because atomic power cannot be laid down on a competitive cost basis with power from conventional sources. Others say it can be sold competitively in such areas as New England, which are remote from fuel sources and where high power rates stem from fuel transportation costs.

In the meanwhile, less timid souls, those who are convinced the atom will eventually replace coal, gas, oil and falling water in the development of electrical energy, are moving ahead as rapidly as the limitations of the Atomic Energy Act will permit. General Electric, Westinghouse, DuPont—to name only three—have invested enormous sums in atomic research. The first two—GE and Westinghouse have been primarily concerned with the development of electrical energy from the atom, while DuPont has played a prominent role in thermonuclear developments, and the application of radio-active materials to industrial and chemical research.

The job confronting private industry now is to find out how to reduce the cost of producing electric power from the atom. The problem is of great magnitude—primarily because of the absence of depletion and obsolescence data. It is here that Government and private industry must cooperate, with the former giving some financial aid, either through direct appropriation, accelerated amortization for tax purposes, or through long-term loans at the insignificant interest rates now enjoyed by the semi-private rural electric cooperative systems. Perhaps a combination of accelerated amortization and low-cost Federal loans would be a reasonable solution; certainly

it would cost the taxpayers zero dollars.

In summary, private industry in the Pacific Northwest, in the Niagara River area of New York, in the Ohio Valley, has proven itself "ready, willing and able" to do the power job in the best interests of all the country. Private enterprise asks only that it be given a fair opportunity to engage in economical power development. Already, private enterprise has shown in areas of hydro potentials that "we will do the job." Now, on the threshold of power from the atom, private enterprise, in effect, declares "give us the opportunity and we'll do the job efficiently, for the greater benefit of all the taxpayers, not for the aid of a sprawling bureaucracy which waxes fat on the delays so common to developments utilized for political aggrandizement rather than for the general welfare."

—END

Where Are 1954's Big Movers Headed Now

(*Continued from page* 50)

chiefly in long-term possibilities need not disturb their holdings in view of expanding operations relating to the important field of uranium. New purchases, however, should be deferred pending a better buying opportunity.

Westinghouse Electric. The stock has had an exceptionally large advance but this is more or less fully justified by the current indicated increase in earnings and, more important, by the company's imposing long-term outlook. It probably would be advisable to sacrifice the opportunity to accept speculative profits and to maintain positions on a long-term basis. New purchases might be deferred temporarily pending a better buying opportunity but, in the event investors desire to forego such a possible opportunity, "dollar-averaging" should be employed.

—END

2 Investment Trusts Compared

(*Continued from page 31*)

more than $166 million. Of this total, $82.5 represented net unrealized appreciation. This means that a stockholder who paid $104 for one share of capital stock of The Lehman Corp., at the time of original issuance in September, 1929, and kept his investment continuously since then, held on June 30, last, six shares—there have been two stock splits in the interim—of capital stock with a total asset value of $228.84.

This increase in net asset value has been achieved during the time in which stockholders received uninterrupted quarterly dividends since initial distribution from ordinary earnings was declared on June 30, 1930. Since then the corporation has paid out a total of $191.12 in dividends on each original share of capital stock. Of this total $99.25 has been paid from net ordinary income and $91.87 from profit realized on the corporation's investments. The corporation functions as a "regulated investment company" and is not subject to Federal income tax on taxable net income distributed to stockholders. Distributions of ordinary income are taxable to stockholders as ordinary dividend income, while distributions of net long-term capital gains realized during the year are taxable to stockholders as long term capital gains regardless of the length of time the investor has held his shares of the corporation.

Tri-Continental Corporation

Tri-Continental Corporation which entered its 25th year with the advent of 1954, also operates as a "regulated investment company". Unlike The Lehman Corp., however, whose present policy is to declare in dividends each fiscal year substantially all taxable net ordinary income and capital gains realized during the year, it retains capital represented by realized gains on investments. It also differs in that on June 30, 1954, it had a higher percentage of holdings of bonds and preferred stocks, these investments amounting to $36.3 million, or 17.74% of total assets, as against

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Canada Adjusts to New Base for Expansion

(*Continued from page* 21)

annually in the United States, Brazil for example, consumes only half a pound and India one-twelfth of a pound annually, per capita.

Alcan is also increasing its Arvida, Quebec magnesium plant. As to titanium, which is stronger than either aluminum or magnesium and more resistant to corrosion, Canada possesses enormous deposits of ilmenite ore, one of the most important source of this metal of the future. Over 150 million tons of ilmenite, averaging about 35 per cent titanium oxide and 40 per cent iron, have been proven by Quebec Iron and Titanium Corporation, a company backed by Kennecott and New Jersey Zinc Co.

In 1953, Canada's iron ore production was just about 5 million tons, barely enough to cover the needs of her own steel industry. This year the iron ore output may be up by several million tons. The first shipment of iron ore are coming out over the 360-mile ultra-modern mining railway in central Labrador. The field was from the Ungava ore body located developed by the Iron Ore Company of Canada, formed by M. A. Hanna Co. of Cleveland and Hollinger Gold Mines.

The expectation is that by 1957 the present Canadian iron ore production will double to 10 million tons a year. By 1967, when Ungava and possibly nearby iron deposits are in full production, Canada should be exporting some 30 to 40 million tons a year, a quantity that would go far to offset the depletion of some of our high grade ores. At present prices, Canada would be earning from this source some $400 million, with some $150 million going to transportation companies for moving the ore.

From 1946 to 1953, Canadian petroleum production rose from some 21,000 bbls. daily to 223,000 bbls. daily. With completion of two new pipe lines delivering Alberta-Saskatchewan-Manitoba crude to Vancouver on the Pacific Coast and to Sarnia, just north of Detroit, production is expected to pick up to over 300,000 bbls. a day. More than half of this quantity is flowing daily from Edmonton to Sarnia. However, oil production is being braked by lack of market. Quebec and the Marittime Provinces—the whole country consumes about 500,000 bbls. a day—still find it cheaper to import crude and deri-

(*Please turn to page* 56)

Canada Adjusts to New Base for Expansion

(*Continued from page* 55)

vatives from Texas and the Caribbean.

The present Canadian petroleum reserves are estimated at two billion bbls., but with new discoveries constantly being made not only in the Prairie Provinces but also in British Colombia, the Yukon and the Mackenzie Territory, the total known reserves are constantly going up. The discovery of the huge Pembina field west of Edmonton in 1953 is alone expected to increase known reserves by one billion bbls. Other important oil discoveries in 1953 were made at Smiley, Saskatchewan and Virden, Manitoba. Oil development expenditures in Alberta alone are expected to reach $300 million in 1954.

Proven gas reserves are also mounting daily. In Alberta they have been put at around 12 trillion cu. ft., enough to last for at least 50 years at the present rate of consumption. The problem is the market. The construction of a pipeline that will supply industrial areas of Ontario and Quebec will be of a great help, but the decision of U. S. Federal Power Commission to bring gas to the Pacific Northwest from New Mexico put a crimp in Canadian plans to build a pipeline from central Alberta to Vancouver. Nevertheless Canada may decide to go it alone and rely on her own rapidly expanding consuming centers.

It has been said that Canadian petroleum and gas development has barely begun. In view of the fact that in the United States one well has been drilled for every 12 square miles of formations in which oil might be expected whereas in Canada the ratio is one well to 200 square miles, the above statement may be quite correct.

There is no doubt that the development of natural resources now going on is giving new depth to the Canadian economy, the rapid increase in population and the rising standard of living—both increasing at a faster rate than population of living standards in the United States – will provide markets for new products. Export prospects are also good, with production of iron ore and some of the nonferrous metals passing the peak in the United States and with demand from Western Europe likely to expand far above current levels. However, the situation needs watching. The exuberant expansion, which was not affected even by the recent price decline, may develop into a temporary weakness. —END

Candidates for Year-end Dividend Increases

(*Continued from page* 52)

"lifo" inventory adjustments and funding of pension reserves, all of which customarily bring about mixed trends in the final quarter. Earnings apparently have held up better this year in the face of a sharp decline in operations than many pessimists had envisioned. Hopes of an extra of about $1 a share or an increase in the regular quarterly rate have been voiced.

Westinghouse Electric, second major manufacturer of electrical apparatus, industrial equipment, consumer appliances, etc., is expected to distribute about half of 1954 earnings in dividends. Even if results in the second half should fall short of the $2.75 a share shown in the first half, it would seem possible for the company to pay out $2.50 a share this year, suggesting a year-end extra at the end of October of 50 cents a share. —END

For Profit and Income

(*Continued from page* 33)

a little reminder for speculative buyers of Pennsy: New York Central ran up from 18¼ to 26 prior to culmination of the fight which shifted control to the famous Mr. Young. Now the stock is back down to 20¼, having given up nearly three quarters of its rise since the famous Mr. Young took over. The explanation of activity and strength in U. S. Steel is: (1) The stock is usually among the leaders in a renewed phase of advance, following a market shake out; and (2) Big Steel, as we have noted here before, is believed subject to a boost in regular dividend rate from the present $3 annual basis to at least $3.50. —END

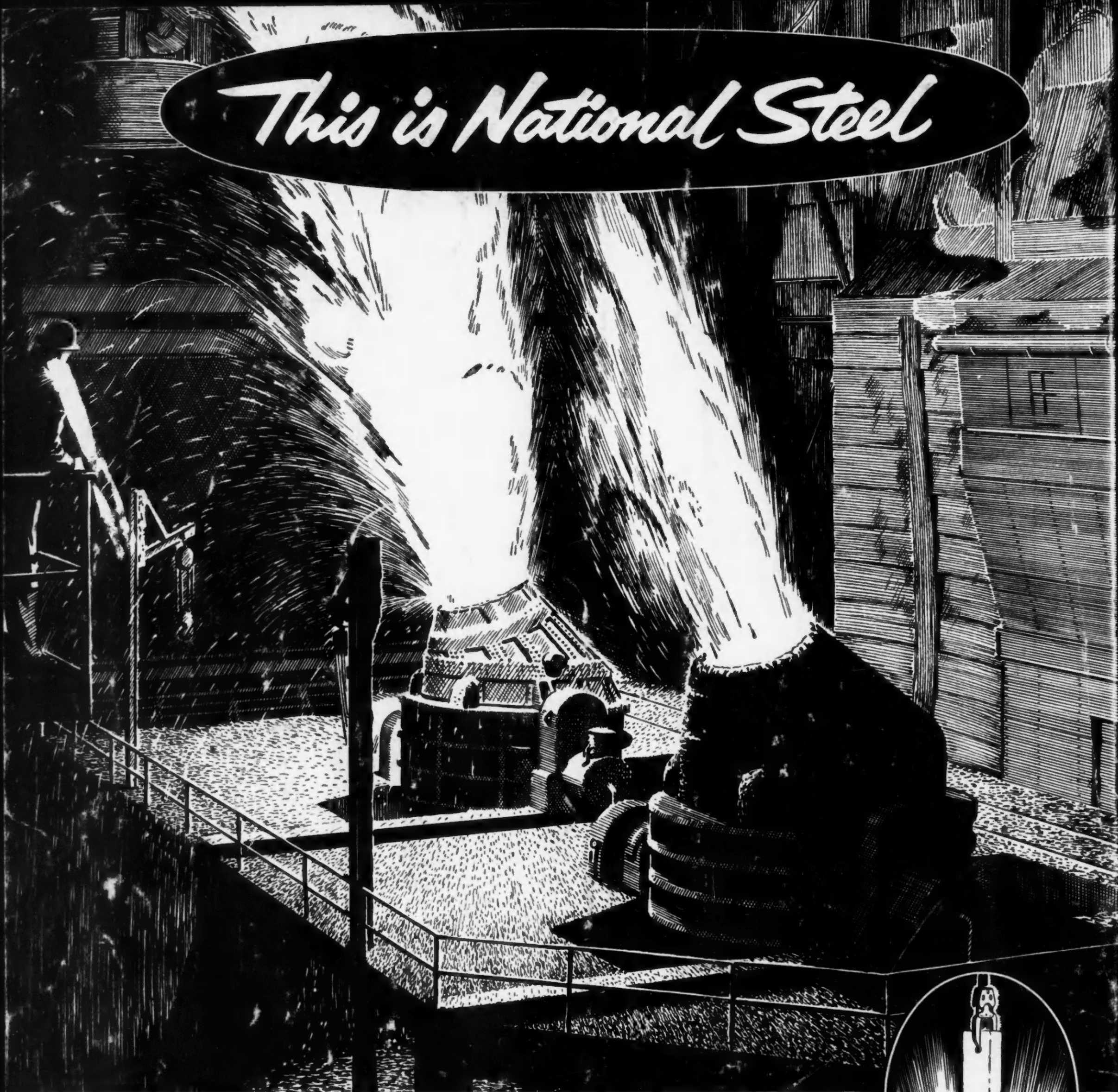
2 Investment Trusts Compared

(*Continued from page* 55)

$167.5 million, or 81.76% in common stocks. This compares with 80% at the beginning of the year, the increase reflecting portfolio changes favoring the common stocks of companies which were believed likely to respond to more favorable conditions in general business. Tri-Continental's common stock investments also represented a cross-section of American industry and included sizable holdings of public utility, chemical, electrical equipment and electronics, oil and natural gas.

As of June 30, this year, the corporation's net investment assets had risen to $204.8 million, a record high, and equal to a net asset value of $30.47 a share for Tri-Continental's common stock. This represents a gain of 30% from the $23.52 on June 30, a year ago. Both these figures are after asset coverage for the $18,060,000 million principal amount of outstanding debentures and 405,370 shares of $6 preferred stock. In this respect Tri-Continental again differs from its contemporary inasmuch as The Lehman Corp., has no outstanding capital obligation other than its capital stock. In addition, Tri-Continental has outstanding warrants, traded on the American Stock Exchange, providing during the life of the corporation for the right to purchase 1.27 shares of the corporation's common stock at any time at $17.76 a share, with certain adjustment provisions for the protection of this right.

Because the corporation limits its dividend payments by distributions only from net ordinary income and retains capital gains, its dividend record is not actually comparable with that of The Lehman Corp. Since the initial payment on the common stock in 1936, holders of Tri-Continental common stock have received dividends including 44 cents a share declared in the 1954 first half-year, totaling $7.48 a share. Tri-Continental's dividend policy reflects its basic long-range investment policy. While consideration is given to realizing good current income emphasis is placed upon future growth of both capital and income. —END



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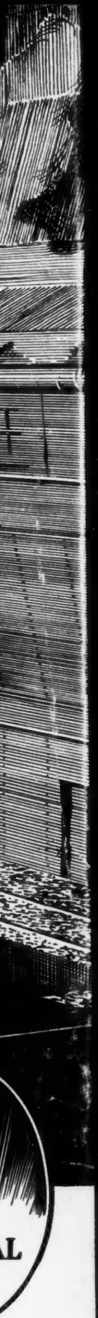
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